PROVINCIAL AUDITOR
of Saskatchewan

May 19, 2015

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2015 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Judy Ferguson

Judy Ferguson, FCPA, FCA
Acting Provincial Auditor

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2015 Report – Volume 1

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Overview by the Acting Provincial Auditor

1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its independent auditor. It has given the Provincial Auditor responsibility for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, Crown corporations, boards, commissions, and funds. Under the Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of all examinations, and highlight matters that require the attention of legislators.

Our Office typically reports the results of its examinations in two volumes. We aim to release Volume 1 in June and Volume 2 in December each year.

This Report (Volume 1) includes the results of our examinations completed by April 24, 2015. We have organized the results of our examinations into four sections. The following provides a brief overview of each section of the Report, with the exception of the section on the Standing Committee on Crown and Central Agencies.

Annual Integrated and Information Technology Audits–Overview

This section of the Report includes the results of annual integrated audits for school divisions with fiscal year-ends of August 31, 2014, and other agencies (including numerous Crown corporations, and pension and benefit plans) with fiscal year-ends of primarily December 31, 2014. See **Appendix 1**.

Effective controls reduce the risk of loss of public money. Effective controls also help ensure government agencies provide complete and accurate financial information, prepare reliable financial statements, and comply with applicable laws and regulations. In addition, effective controls help agencies achieve their objectives, and sustain and improve performance.

We use the term **"integrated audits"** to describe our annual audits of agencies that examine:

- The effectiveness of their financial-related rules and procedures to safeguard public resources with which they are entrusted
- Their compliance with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- The reliability of those statements for those agencies that prepare financial statements

Almost all of the agencies included in this Report had effective financial-related controls, complied with related authorities, and had reliable financial statements. Only 12 of those agencies need to improve some of their financial-related controls. These agencies include the Municipal Employees' Pension Plan, Northern Municipal Trust Account (administered by the Ministry of Government Relations), SaskWater, and nine of the 28 school divisions.

Strong financial reporting controls include active monitoring to help ensure controls operate as intended – unmonitored controls tend to deteriorate over time. This Report notes a few agencies that need to better supervise staff responsible for financial reporting functions to ensure they follow established policies and procedures properly. Also, similar to our past findings for other agencies, a few school divisions need to either establish or improve their information technology (IT) policies including developing and testing their IT disaster recovery plans.

In addition, we are pleased to report that SaskTel, Saskatchewan Housing Corporation, and three school divisions (Living Sky, North East, Prince Albert Roman Catholic Separate) rectified previously-reported problems with their financial-related controls.

We use the term "**annual information technology audits**" to describe our audits of three central agencies that provide key information technology (IT) services to other government agencies. In these audits, we assess the effectiveness of the central agency's processes and controls to secure IT systems and data. These audits support our annual integrated audits of government agencies that use the services of these central agencies.

This section of the Report also includes the results of three annual IT audits: Ministry of Finance – MIDAS Financials, the Public Service Commission (PSC) – MIDAS HR/Payroll, and the Ministry of Central Services – Data Centre.

MIDAS[1] is a ministry-wide IT application used to account for the financial activity of core government, and to administer employee, payroll and benefits of the 10,945 full-time equivalent staff[2] employed within the core government. The Ministry of Finance is responsible for MIDAS Financials, and PSC is responsible for MIDAS HR/Payroll. We found that the Ministry of Finance and PSC had effective central controls to manage and secure MIDAS Financials and MIDAS HR/Payroll, respectively.

The Ministry of Central Services provides ministries (e.g., Highways and Transportation and the Economy), and 11 other government agencies with IT services. To provide these services, it uses a data centre (i.e., a central location) to store computer network hardware and software. Ministries and government agencies rely on the systems and data stored at the data centre. Stored data includes information essential for their operations along with confidential and personal information.

This Report notes that while in 2014, the **Ministry of Central Services** implemented two of our past seven recommendations, more work remains. Until the Ministry fully implements the remaining five areas (e.g., restricting access to IT equipment and systems, having an approved and tested disaster recovery plan), the risk that systems and data may not be available to ministries and government agencies using its services continues to exist. We initially made these five recommendations from three to nine years ago.

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[1] MIDAS is short for Multi-Informational Database Application System.

[2] Restated estimated 2014-15 full-time equivalent staff in government ministries taken from *Government of Saskatchewan 2015-15 Estimates*, p. 152.

Performance Audits–Overview

We use the term **"performance audits"** to describe audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities.

This section of the Report includes the results of 12 performance audits. Below is a quick recap of each of those audits.

Discharging Patients: Because the Government spends about $5.5 billion on health annually, our Office continues to examine health-related matters each year.

- In this Report, we looked at processes that **Regina Qu'Appelle Regional Health Authority** used to discharge hospital patients from its two largest hospitals (Regina General and Pasqua) safely and in a timely manner. Remaining in a hospital longer than medically needed can be detrimental to a patient's health. The timing of patient discharge impacts the management of hospital beds. To improve its processes for the timely and safe discharge of patients, Regina Qu'Appelle needs to do the following. It must follow its own policies; for example, always complete patient admissions within 24 hours of admission, document and discuss discharge instructions with patients before their discharge, and complete discharge summary information on a timely basis. Also, it must prepare comprehensive, multi-disciplinary patient care plans. In addition, when patients are discharged to another facility, it should always give those facilities complete and timely transfer information. We encourage other regional health authorities to assess their processes in this area.

Coordinating Emergency Preparedness: From 2011-12 to 2013-14, the government spent between $46.8 million and $157.1 million each year on the provincial disaster assistance program. During this same period, Saskatchewan municipalities have declared between nine to 67 local emergencies each year. Being prepared for emergencies can reduce the human and financial impact, and help those affected recover.

- The **Ministry of Government Relations** is responsible for coordinating emergency preparedness in the province. We looked at these processes, and found it had effective processes to do so other than in a few areas. For example, the Ministry must follow its own process to work with key provincial government agencies to keep risk assessments of emergencies requiring provincial assistance up to date. Also, it needs to periodically and formally confirm that key emergency management plans align with the *Provincial Emergency Management Plan*.

Coordinating English-Language Programs for Recent Immigrants: From 2001 to 2011, Saskatchewan's immigrant population increased from 0.85% to 2.7% of our total population with the majority of the recent immigrants settling in major cities. The Ministry of the Economy coordinates provincial English-language programs designed to help immigrants secure employment and settle into Saskatchewan. Each year, it spends about $2.4 million on language programming delivered by community-based organizations, and regional colleges.

- We looked at the processes the **Ministry of the Economy** used to coordinate English-language programs for recent immigrants over the age of 18; we made five recommendations. For example, the Ministry needs to formally assess the demand for its programs, and obtain better information to enable decisions about the nature, extent, and location of its programs.

Regulating to Keep People and the Environment Safe: The government puts laws into place to keep people and the environment safe. For these laws to be effective, the government must check that they are being followed. In two audits, we assessed two key regulatory processes – the provincial vehicle inspection program administered by Saskatchewan Government Insurance (SGI), and the Ministry of Environment's processes for regulating industrial wastewater systems.

- At December 2014, Saskatchewan had 923 vehicle inspection stations certified under the provincial vehicle inspection program. **SGI** has given these facilities the authority to verify whether vehicles meet minimum standards for vehicle safety (i.e., decide if vehicles are in safe operating condition). We looked at the processes SGI used in 2014 to monitor these facilities. We found SGI must better document its key monitoring activities – specifically, its station audits and inspections. In many cases, it did not completely document the results of its audits and inspections. Without complete and consistent documentation, SGI cannot be sure it carries out its audits and inspections as expected. In turn, this increases the risk that unsafe vehicles are operating on Saskatchewan roads. In addition, SGI needs to develop a risk-based monitoring plan to help ensure its vehicle inspection program focuses sufficiently on higher risk areas.

- At December 2014, 165 industrial sites operated in Saskatchewan. **The Ministry of Environment** is responsible for regulating industrial wastewater systems to reduce the risk of negative impacts of industrial wastewater on the environment. We looked at the processes the Ministry used in 2014 to regulate industrial wastewater. We found that some of those processes need improvements. Like SGI, the Ministry uses inspections as its key monitoring activity. The Ministry must document its inspection results clearly, and prepare environmental compliance reports for high-risk industrial sites. These improvements will help it make certain its regulatory activities are sufficient to keep the environment safe. Also, the Ministry needs to keep up-to-date records on the frequency of its inspections of industrial wastewater systems so that it can determine whether it conducts inspections in a timely manner.

Working with the Private Sector: In two audits, we looked at how the government is working with or is planning to work with the private sector – SaskPower through buying power from independent power producers, and SaskBuilds through determining whether a public-private-partnership (P3) approach is best for advancing infrastructure projects.

- As part of its electrical generation diversification strategy and to meet short- and mid-term power needs, **SaskPower** buys power from individuals and corporations who produce power. At December 2014, about 20% of SaskPower's total generation capacity was from power from these independent power producers. We looked at SaskPower's processes to buy power from them. In most cases, SaskPower uses a competitive procurement process to buy this power. We found it had not updated its policies to reflect a number of key practices it used to make its buying process fair and equitable. We further found that it did not use a consistent evaluation process when assessing unsolicited proposals. SaskPower needs equally rigorous processes to evaluate all types of proposals. This will help ensure it handles all potential independent power producers fairly and equitably. It will also help ensure it only selects independent power producers who can deliver power when and as needed.

- By January 2015, the government had tasked **SaskBuilds** with determining whether a P3 approach is best for four large infrastructure projects. We looked at its processes to make this determination. Given the timing of our work, we focused only on SaskBuild's business-case development stage. We found that, while SaskBuilds followed accepted practice in many areas, two key areas require improvement. First, to reduce the risk of proceeding with a P3 approach where projected savings are only minimally better than a conventional approach and the risk of those savings not materializing, it needs to set a required minimum estimated savings. This would reflect an amount of savings that the P3 approach must demonstrate before SaskBuilds makes its final recommendation on the use of this approach. Second, to facilitate better evaluation of project risks and allocation of costs to those risks, and to provide clearer support for decisions, SaskBuilds needs to make key empirical data available to those assessing risks and allocating costs. Also, we think the government must make a concerted effort to identify and address barriers, in its use of conventional procurement approaches, to gaining efficiencies attributed to P3s.

Planning for Education: Each year, the Government spends about $3.6 billion on education and advanced education. The success of these sectors directly impacts Saskatchewan's future success. In two audits, we looked at key aspects of planning within these sectors. The many agencies in these sectors (e.g., two ministries, 28 school divisions, and over 25 post-secondary education and training institutions) makes planning complex. Effective coordination of plans is necessary to prevent duplication of effort and to ensure plans that involve multiple agencies support one another.

- In 2013, the **Ministry of Education** and the 28 school divisions finalized the *Education Sector Strategic Plan*. This Plan includes five outcomes related to improving student achievement and operations. We looked at the processes the Ministry used to put this Plan into operation. We noted two areas for improvement. To reduce the risk of duplication of effort and to ensure coordination of plans across the sector, the Ministry needs to review school division action plans. To be clear as to when action plans must be fully developed (complete), the Ministry needs to set deadlines. At January 2015, we found the action plans for the overall sector, Ministry, and school division were often incomplete – even for areas identified as short-term priorities.

- The **Ministry of Advanced Education** depends on the cooperation of post-secondary institutions to achieve its strategies (e.g., support growth by ensuring an educated and skilled workforce to meet existing and future labour market demand). We looked at the Ministry's processes to work with the advanced education sector to achieve its 2014-15 strategies. We identified two key areas for improvement. First, it needs to complete its development of performance indicators and targets. Without these, the Ministry is hindered in analyzing and reporting progress towards achieving its strategies. Second, it needs to use an analysis of gaps in achieving its strategies to determine how to best engage post-secondary institutions. Without a review and analysis of gaps, the Ministry may not capitalize on potential opportunities to engage post-secondary institutions.

Other Performance Audits: The Government and its agencies increasingly rely on IT systems to deliver services to the public. As part of their operations, they collect and manage sensitive and confidential information. This Report includes the results of two audits that look at protecting systems and data – how well **SaskPower** manages the risk of cyber incidents, and how well **eHealth** keeps laboratory results held in the provincial electronic health records safe from unauthorized or inappropriate access.

The majority of respondents to our 2013 board governance survey, included in our *2013 Report – Volume 1,* indicated there should be greater governance training or capacity building opportunities for elected school board trustees. This Report includes our look at the processes that **Prairie South School Division** used to equip its board members with the necessary knowledge and competencies to govern. We encourage other boards of education to assess their processes in this area.

Audit Follow Ups–Overview

We use the term **"audit follow-ups"** to describe our assessments of whether government agencies have taken actions to address recommendations that we made in our past performance audits. We carry out an initial follow-up either two or three years after our original audit, and subsequent follow-ups every two or three years thereafter until the recommendations are implemented.

In this section of the Report, we provide the results of our follow-up of 98 recommendations we made in previous audits at 14 agencies. In **Figure 1—Summary of Results of Audit Follow Ups**, we provide a list of the agencies and the status of recommendations.

On an overall basis, we are pleased with the progress of most agencies in implementing our recommendations.

For nine agencies, we report the results of our first follow-up of recommendations. Four of these agencies made impressive progress in implementing our recommendations—the Five Hills Regional Health Authority (Food Services in Long-Term Care Facilities), Regina Qu'Appelle Regional Health Authority (Surgical Facilities), SaskEnergy (SCADA), and the University of Regina (Research Interests). The remaining agencies were making good progress in implementing our recommendations, or had plans underway to implement them.

For five agencies, we report the results of a subsequent follow-up. Three of these agencies had fully implemented our recommendations. While the other two agencies (Ministry of Finance and Ministry of Parks, Culture and Sport) each made some progress, more work remained. We found:

- The Ministry of Finance makes extensive use of IT to operate (e.g., for revenue-raising, investing, and borrowing activities) and, in 2013-14, spent $7.4 million on IT. By December 2014, it had not fully implemented two recommendations we made in 2009 related to developing and using a strategic IT plan. It had not yet completed an IT risk plan, or implemented an IT strategic plan. It expected to do so later in 2015.

- The Ministry of Parks, Culture and Sport is responsible for the capital assets used to support the Saskatchewan park system (e.g., 140 recreation sites and parks). By January 31, 2015, it had not fully implemented three recommendations we made in 2009 related to planning for its long-term capital needs. It was developing a new computer system to assist in its capital planning for park assets. It expects this system to be available later in 2015.

Figure 1—Summary of Results of Audit Follow Ups

Chapter Name	Related Initial Report[a]	Number of Recommendations	Status of Recommendations: Implemented	Partially Implemented	Not Implemented	No Longer Relevant
Initial Follow-Ups						
Economy—Managing Oil and Gas Wells	2012 Report – V2	7	1	6	-	-
Education—Capital Asset Planning for Schools	2013 Report – V1	8	3	2	3	-
Five Hills Regional Health Authority—Provision of Nourishing and Safe Food Services in Long-Term Care Facilities	2012 Report – V2	11	7	4	-	-
Health—Preventing Diabetes-Related Health Complications	2012 Report – V2	12	4	5	3	-
Regina Qu'Appelle Regional Health Authority—Use of Surgical Facilities	2013 Report – V1	9	8	1	-	-
Saskatchewan Opportunities Corporation—Maintaining Facilities	2012 Report – V1	3	1	2	-	-
SaskEnergy Incorporated—Securing its SCADA System	2013 Report – V1	7	5	2	-	-
Social Services—Placing Minister's Wards in Permanent Homes	2013 Report – V1	7	4	1	2	-
University of Regina—Protecting Interests in Research	2013 Report – V1	26	13	11	2	-
Initial Follow-Ups Subtotal		**90**	**46**	**34**	**10**	**-**
Subsequent Follow-Ups		[b]				
Finance—Governance of Information Technology	2009 Report – V3; 2011 Report – V2; & 2013 Report – V1	2	-	2	-	-
Parks, Culture and Sport—Provincial Parks Capital Asset Planning	2009 Report – V3; 2011 Report – V2	3	-	3	-	-
Public Service Commission—Out-of-Scope Staffing	2011 Report – V1; 2012 Report – V2	1	1	-	-	-
Saskatchewan Housing Corporation—Long-Term Capital Planning	2004 Report – V1; 2007 Report – V2; 2010 Report – V1 & 2012 Report – V1	1	1	-	-	-
Saskatchewan Liquor and Gaming Authority—Encouraging Responsible Use of Beverage Alcohol	2006 Report – V1; 2009 Report – V1; 2011 Report – V2; & 2013 Report – V2	1	1	-	-	-
Subsequent Follow-Ups Subtotal		**8**	**3**	**5**	**-**	**-**
Overall Total		**98**	**49**	**39**	**10**	**-**

Source: Compiled by Provincial Auditor of Saskatchewan.

[a] V – means Volume.

[b] For "Subsequent Follow-Ups", the "Number of Recommendations" is the number of recommendations that remained not implemented after the previous follow-up.

[c] In this follow-up, we assessed the status of recommendations made in two different but related audits.

2.0 ERRATUM

Chapter 1 of our *2014 Report – Volume 2* (Advanced Education) contains an error. It incorrectly noted that the Standing Committee on Public Accounts had not yet considered the four recommendations reported in **Section 4.3.2** (pages 17 and 18). In fact, the Standing Committee on Public Accounts had considered and accepted these recommendations at its May 14, 2014 meeting. Since April 21, 2015, the chapter on our website (www.auditor.sk.ca) contains the correct information with the changes identified in **red font**.

3.0 ACKNOWLEDGMENTS

The Office appreciates and thanks the staff and management of all government agencies along with their appointed auditors (if any) for the cooperation we received in the completion of the work included in this Report.

Also, as Acting Provincial Auditor, I thank the dedicated professionals in the Office (see below) for their diligence and commitment. Only through their hard work can we fulfill our mission—*to serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.*

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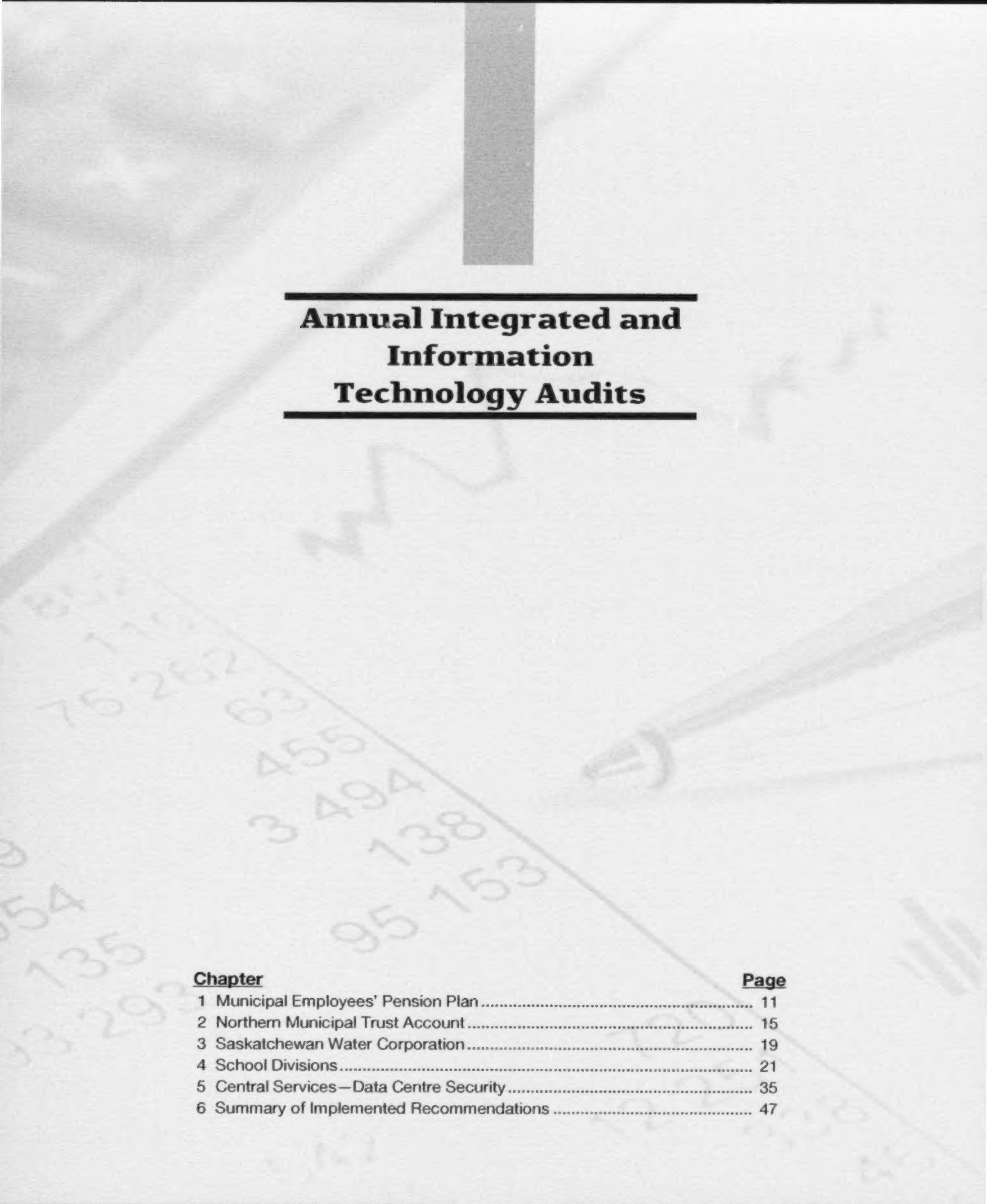

Annual Integrated and Information Technology Audits

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Chapter 1
Municipal Employees' Pension Plan

1.0 MAIN POINTS

This chapter contains the results of our 2014 audit of the Municipal Employees' Pension Plan (Plan). The Plan's 2014 financial statements are reliable and it complied with its governing authorities. The Plan also had effective controls to safeguard public resources except that additional financial reporting controls are required to ensure accurate reporting and appropriate disclosure of investment risks in the Plan's financial statements.

2.0 INTRODUCTION

The Plan is registered under the *Income Tax Act* (Canada) and is governed by *The Municipal Employees' Pension Act* and related regulations, as well as *The Pension Benefits Act, 1992* and related regulations. The Plan is a multi-employer defined benefit[1] plan.

In 2014, 738 employers participated in the Plan, of which the majority were towns, villages, and rural municipalities. In 2014, the Plan had more than 15,000 active members and more than 5,000 pensioners. Active members contribute a fixed percentage of their salary and employers match these contributions. Members receive formula-based pension, disability, death, and termination benefits.

The Municipal Employees' Pension Commission (Commission) is responsible for administering the Plan including holding and investing the Plan's money. An adequate level of contributions and positive investment returns are necessary to secure the Plan's ability to pay pension benefits.

The Commission has engaged the Public Employees Benefits Agency (PEBA) to administer the Plan. On the Commission's behalf, PEBA manages the Plan's contributions, pensions, and plan assets.

At December 31, 2014, the Plan held $2.0 billion in total assets (2013 – $1.7 billion) and had liabilities of $1.7 billion (2013 – $1.5 billion). For the year ended December 31, 2014, the Plan had total revenues of $438.9 million (2013 – $242.4 million), and total expenses of $117.0 million (2013 – $119.0 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[2]

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[1] A defined benefit pension plan is a pension plan that specifies the pension that members of the plan receive on retirement and/or the method that determines the pension.
[2] See our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2014:

- **The Commission had effective rules and procedures to safeguard the Plan's public resources except for the matter reported in this chapter**
- **The Commission complied with the following authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Municipal Employees' Pension Act
  The Municipal Employees' Pension Regulations
  The Pension Benefits Act, 1992
  The Pension Benefits Regulations, 1993
  The Executive Government Administration Act [section 13]
  Pension Benefits Standards Regulations, 1985 (Canada)
  Income Tax Act (Canada) [sections: 147.1 – 147.3]
  Income Tax Act Regulations (Canada) [sections: 8501 – 8505, 8512, 8514, and 8520]

- **The Plan had reliable financial statements**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Commission's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Our audit work focused on investments and pension obligations (including related revenue and expenses) given their significance and the complex estimates involved in determining these balances. Our audit focused on investment confirmations, review of reasonability of estimates, and use of the Plan's actuarial report. We also examined a sample of pension payments to verify the eligibility and accuracy of the monthly pension benefit and compliance with governing authorities.

4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

4.1 Additional Financial Reporting Controls Required

We recommended that the Municipal Employees' Pension Commission direct the Plan's administrator to establish additional financial reporting controls to ensure those responsible for the preparation of the Plan's financial statements obtain sufficient information to appropriately disclose risks relating to investments in the Plan's financial statements. (2013 Report – Volume 1; Public Accounts Committee agreement January 13, 2014)

Status – Partially Implemented

The Commission invests Plan money in many different types of investments, some of which are sophisticated in nature and require management to calculate estimates for year-end financial reporting purposes (e.g., private equities and infrastructure). As a result, additional financial reporting controls are required to ensure accurate reporting and appropriate disclosure of investment risks in the financial statements.

During 2014, PEBA implemented some additional financial reporting controls, including increased discussions between investment and accounting staff, and review of the Plan's financial statements by investment staff. However, further scrutiny is required given the accounting complexities of the Plan's investments. Specifically, PEBA needs to document its review of various private equity and infrastructure agreements and its assessment of any related financial reporting or accounting implications. Without such an assessment, the Plan's financial statements may not include sufficient information regarding the Plan's infrastructure and private-equity investments.

Chapter 2
Northern Municipal Trust Account

1.0 MAIN POINTS

The Ministry of Government Relations (Ministry) administers the Northern Municipal Trust Account (NMTA). NMTA's 2014 financial statements are reliable. In 2014, the Ministry complied with the authorities governing NMTA's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The Ministry had effective rules and procedures for NMTA to safeguard public resources except it did not always prepare accurate quarterly financial reports or require management to carry out a detailed review of quarterly and year-end financial information prepared by staff.

2.0 INTRODUCTION

The Northern Municipalities Act, 2010 (Act) establishes the Northern Municipal Trust Account (NMTA) and its Management Board (Board). NMTA is a special account and has two main purposes:

- To assist northern municipalities in providing quality services to their residents by funding operating and capital needs
- To administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)

The Act makes the Ministry responsible for administering NMTA. The Board, appointed by Cabinet, advises the Minister on the allocations of northern operating and capital grants, and any changes to the law concerning NMTA. The Ministry has assigned about 11 full-time equivalent staff, located primarily in La Ronge, to directly administer NMTA.

NMTA includes all revenues of the NSAD and northern operating and capital grants (e.g., grants for operations, water and sewer systems, and municipal facilities) received from the General Revenue Fund.

In 2014, NMTA had revenues of $30.7 million (2013 – $32.0 million) including $20.6 million (2013 – $22.4 million) from the General Revenue Fund, expenses of $30.2 million (2013 – $31.0 million) including grants of $23.6 million (2013 – $26.3 million). At December 31, 2014, it held assets of $36.1 million (2013 – $35.5 million) including capital assets of $4.5 million (2013 – $4.8 million).

3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended December 31, 2014:

- **The Ministry of Government Relations had effective controls over the Northern Municipal Trust Account with respect to rules and procedures to safeguard public resources except for the matters described in this chapter**
- **The Ministry of Government Relations complied with the following authorities governing the Northern Municipal Trust Account's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Northern Municipalities Act, 2010
  The Northern Municipalities Regulations
  The Financial Administration Act, 1993
  Orders in Council pursuant to the above legislation and regulations

- **The Northern Municipal Trust Account had reliable financial statements**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Ministry's controls over NMTA. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We focused our audit effort on certain revenues (e.g., lease fees, taxation, and utility and fuel sales) and expenses. For revenues, we verified NMTA's monitoring of lease and land sales revenues collected by the Ministry of Environment. We also assessed the reasonability of management's estimate of lease revenue in the financial statements. We tested tax levies to verify the accuracy of levy calculations and penalties/discounts. We tested fuel sales revenue to verify the accuracy of fuel sales reported. For expenses, we tested payments to verify their accuracy, completeness, and compliance with governing authorities.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Preparation of Quarterly Financial Reports

In 2014, NMTA did not always prepare complete and accurate quarterly reports.

The Ministry has established policies for NMTA (NMTA policies) that require staff to prepare quarterly financial reports for the Assistant Deputy Minister of Government Relations' review. Information in these reports helps senior management assess NMTA's financial and operational performance throughout the year so they can make informed decisions.

The quarterly financial reports are to include statements of financial position, operations, and cash flow, key financial information (e.g., prior-year actuals, current-year budget, current year-to-date actuals, current year forecast), and provide reasons for differences between current-year forecast and budget.

We found that the reports for the first three quarters did not:

- Include lease revenue earned during each quarter. By December 31, 2014, NMTA earned $4.2 million in lease revenue.

- Always reflect accurate forecasted amounts, with many of the forecasted amounts remaining unchanged from the prior reports. We noted multiple instances where the year-to-date actual amounts were greater than the forecasted amount (i.e., NMTA incurred more expenses/received more revenues than it forecasted through the remainder of the year).

Without accurate reports, senior management may not have the information they need to make informed decisions.

1. **We recommend that the Ministry of Government Relations prepare accurate quarterly financial reports for the Northern Municipal Trust Account, as its policies require.**

4.2 Supervision of Staff Recording NMTA Information

Management did not adequately supervise staff responsible for recording NMTA financial information.

In 2014, NMTA experienced higher than normal employee turnover, resulting in many employees filling new roles.

We found that employees did not have a clear understanding of their new roles or NMTA's established policies and procedures. We identified several instances where policies were not properly followed. For example:

- NMTA's policies require that staff verify the existence and condition of capital assets periodically (at least every two years) by physically inspecting and counting the assets. The last verification occurred in 2012.

- NMTA's policies require staff to verify that invoices are coded to proper accounts prior to invoices being entered into NMTA's accounting records (the general ledger). During the audit, we identified multiple instances where staff recorded invoices to the incorrect accounts.

- NMTA's policies require staff and management to leave evidence of preparation and independent review on all journal entries. During the year, we identified a few instances where staff did not leave evidence of independent review and approval on the journal entries.

- NTMA did not follow its policies for preparing accurate quarterly financial reports. (see **Section 4.1**).

Having new or inexperienced staff increases the need for staff training and supervision. Supervision (e.g., detailed review of quarterly financial reports, journal entries, and reconciliations) helps ensure staff clearly understand and carry out their responsibilities. Also, it provides an opportunity to identify issues or misunderstandings and take corrective actions on a timely basis. Without adequate supervision, errors in NMTA's financial records may occur without ready detection.

2. **We recommend that the Ministry of Government Relations require management to carry out a detailed review of quarterly and year-end financial information (e.g. financial reports, journal entries, reconciliations) prepared by the staff responsible for recording Northern Municipal Trust Account financial information.**

Chapter 3
Saskatchewan Water Corporation

1.0 MAIN POINTS

The Saskatchewan Water Corporation's (SaskWater) financial statements are reliable. It complied with the authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. SaskWater had effective rules and procedures to safeguard public resources except it does not have a completed and tested business continuity plan.

2.0 INTRODUCTION

SaskWater operates under *The Saskatchewan Water Corporation Act* (Act). Its mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

SaskWater's head office is located in Moose Jaw, Saskatchewan. It has approximately 124 employees in 14 provincial locations. To deliver its services, SaskWater designs, builds, owns and operates transmission, regional, and stand-alone water supply systems and wastewater systems. SaskWater also provides certified operation and maintenance services to customer-owned systems. In 2014, it provided operator training to 29 Saskatchewan First Nations communities.

As of December 31, 2014, SaskWater provided services to approximately 72,000 people in 63 communities, seven rural municipalities, 83 rural pipeline groups, 16 industrial and approximately 236 commercial and end-user customers. It owns eight water treatment plants, three wastewater facilities, 39 pump stations, and approximately 865 kilometers of pipeline.[1]

2.1 Financial Overview

At December 31, 2014, SaskWater held assets of $316.4 million[2] (2013 – $223.9 million) and had long-term debt totalling $38.7 million (2013 – $38.7 million). For the year ended December 31, 2014, SaskWater had operating revenue of $43.9 million (2013 – $42.3 million), including water sales and treatment revenue of $33.6 million (2013 – $32.2 million), and had net income of $5.5 million (2013 – $3.5 million). Each year, SaskWater provides its annual report including its audited financial statements to the Legislative Assembly. The annual report can be found on its website.[3]

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[1] www.saskwater.com (20 March 2015).

[2] SaskWater's assets include $257.8 million (2013 – $185.1 million) of property, plant, and equipment of which $134.5 million is water facilities.

[3] Ibid.

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[4]

In our opinion, for the year ended December 31, 2014:

- **SaskWater had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- **SaskWater complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Saskatchewan Water Corporations Act
  The Crown Corporations Act, 1993
  The Crown Corporations Regulations, 1993
  The Financial Administration Act, 1993
  The Crown Employment Contracts Act
  Orders in Council issued pursuant to the above legislation

- **SaskWater's financial statements were reliable**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of SaskWater's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

4.0 KEY FINDINGS AND RECOMMENDATION

4.1 Business Continuity Plan Needed

We recommended that Saskatchewan Water Corporation implement and test a business continuity plan. (2012 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Partially Implemented

SaskWater made limited progress on this recommendation in 2014. It continued to refine its business continuity plan for head office operations, including its disaster recovery plans for its business critical financial and water metering systems (used to determine water sales and treatment invoices). Management indicated that it intends to investigate alternative systems support as the next step in ensuring critical systems functionality in the event of a disruption.

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[4] See our website at www.auditor.sk.ca.

Chapter 4
School Divisions

1.0 MAIN POINTS

This chapter reports the results of the annual audits of the 28 school divisions for the year ended August 31, 2014. The 2013-14 financial statements of each of these school divisions are reliable and each complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Nineteen school divisions had effective rules and procedures to safeguard public resources. We make recommendations for improvements to nine school divisions. Chinook, Northern Lights, and Sun West school divisions need to improve their information technology (IT) security policies and/or implement IT disaster recovery plans. Sun West school division needs to restrict access to the chart of accounts in its accounting software. Conseil scolaire fransaskois needs to adopt adequate policies and procedures to manage its financial operations. Ile-a-la Crosse, Prairie Spirit, and Regina school divisions need to independently review and approve journal entries, purchase card transactions, and/or bank reconciliations. Northern Lights and Regina school divisions need processes to estimate costs related to clean-up of their contaminated sites. Light of Christ needs to better monitor physical assets, document controls over school-generated funds, and prepare regular performance evaluations for management. Horizon School Division also needs to prepare regular performance evaluations for management.

In 2013-14, Living Sky, North East, and Prince Albert Roman Catholic Separate school divisions each improved their internal controls from the prior year. They followed their policies or implemented better ones.

2.0 INTRODUCTION

The Education Act, 1995 and regulations set out the roles and responsibilities of the Ministry of Education (Ministry) and school divisions.

The Ministry is responsible for providing leadership and direction to the Prekindergarten through Grade 12 education sector. This includes providing leadership and coordination for preparing goals, objectives, and educational planning for the present and future growth and development of the educational system.

Boards of education (school boards), including the conseil scolaire (French language schools), govern school divisions. Members of school boards are elected. School boards administer and manage schools whether they are public, separate, or French language schools.

At August 31, 2014, there were 28 school divisions in Saskatchewan (see **Exhibit 5.1**). Over 172,000 students attend more than 700 Saskatchewan schools each day.[1]

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[1] www.finance.gov.sk.ca/PlanningAndReporting/2013-14/201314EducationAnnualReport p. 3 (23 February 2015).

At August 31, 2014, the school divisions held combined net financial assets of $205 million (2013 – $295 million) and non-financial assets of $1.8 billion[2] (2013 – $1.7 billion). For 2013-14, the school divisions had combined revenue totalling $2.1 billion (2012-13 – $2.1 billion) including $1.3 billion (2012-13 – $1.3 billion) from the Ministry and combined expenses totalling $2.1 billion (2012-13 – $1.9 billion).

3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with appointed auditors (see **Exhibit 5.1**) to carry out the audits of the school divisions. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[3]

In our opinion, for the year ended August 31, 2014:

- **Each school division complied with the following authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  The Education Act, 1995
  The Education Regulations, 1986
  The Financial Administration Act, 1993 (section 38)
  The Pension Benefits Act, 1992 (section 44)
  The Pension Benefits Regulations, 1993 (section 38)
  Pension Benefit Standards Regulations, 1985 (Canada) (sections 9[1], 11[1])

- **The financial statements of each school division are reliable**

- **Each school division had effective rules and procedures to safeguard public resources except for the matters related to the following school divisions: Chinook, Conseil, Horizon, Ile-a-la Crosse, Light of Christ, Northern Lights, Prairie Spirit, Regina, and Sun West**

We used the control framework published by CPA Canada to make our judgments about the effectiveness of each school division's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of each school division's controls used to administer its revenues, expenses, assets, and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial statements. As school divisions' expenses consist of payroll and other goods and services, we examined processes for preparing and processing payroll, and ordering, paying for, and receiving goods and services. We also examined school divisions' processes to safeguard information technology systems and data.

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[2] The majority of the balance of non-financial assets consists of capital assets.
[3] See our website at www.auditor.sk.ca.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

4.1 Chinook School Division No. 211

4.1.1 IT Security Policies Needed

We recommended that Chinook School Division No. 211 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. These policies identify the rules that staff need to follow. By August 2014, Chinook School Division No. 211 (Chinook) had not yet established adequate IT security policies.

4.1.2 Approved and Tested IT Disaster Recovery Plans Needed

We recommended that Chinook School Division No. 211 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

During our 2014 audit, we found that Chinook had not yet approved and tested an IT disaster recovery plan. Without an approved and tested IT disaster recovery plan, the school division does not know if it could continue to deliver its programs and services if disruption or damage occurred to its IT systems.

4.2 Conseil scolaire fransaskois

4.2.1 Policies and Procedures to Manage Financial Operations Needed

As set out in **Figure 1**, Conseil scolaire fransaskois did not have adequate policies and procedures to manage its financial operations. Adequate policies and procedures set out expectations for the financial operations of an organization, and help staff complete their work accurately and consistently over time, and in the event of key staff leaving the organization. These findings are consistent with the results of our performance audit of the effectiveness of Conseil scolaire fransaskois' (also referred to as Conseil des écoles fransaskois No. 310) financial management and governance practices for the 12-month period ended August 31, 2014, as reported in our *2014 Report – Volume 2,* Chapter 31. **Figure 1** sets out the related recommendations from that Report to improve controls.

Figure 1—Findings at August 31, 2014 and Related Recommendations

Findings at August 31, 2014[a]	Related Recommendation from *2014 Report – Volume 2*, Chapter 31[b]
The Conseil scolaire fransaskois does not have a written delegation of authority setting out the authority of each staff involved in the procurement decisions.	We recommend that the Board of Conseil scolaire fransaskois approve a written delegation of authority setting out the authority of each staff involved in procurement decisions. (p. 180)
The Conseil scolaire fransaskois does not have written policies for key financial management processes based on its assessment of financial risks.	We recommend that the Board of Conseil scolaire fransaskois approve written policies for key financial management processes based on its assessment of financial risks. (p. 181)
The Conseil scolaire fransaskois has not implemented a risk management process based on identification and written analysis of financial risks that impact it.	We recommend that the Board of Conseil scolaire fransaskois implement a risk management process that requires the identification and written analysis of financial risks that impact Conseil scolaire fransaskois. (p. 187)
The Conseil scolaire fransaskois does not maintain accurate and current forecasts of financial information within its financial records.	We recommend that Conseil scolaire fransaskois maintain accurate and current forecasts of financial information within its financial records. (p. 188)
The Conseil scolaire fransaskois should require systematic and regular performance evaluations of senior management.	We recommend that the Board of Conseil scolaire fransaskois require systematic and regular performance evaluations of senior management. (p. 183)

Source: [a] Deloitte LLP.
[b] Provincial Auditor of Saskatchewan.

4.3 Horizon School Division No. 205

4.3.1 Performance Evaluations for Management Needed

We recommended that Horizon School Division No. 205 prepare regular performance evaluations for management. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

While Horizon School Division No. 205 made changes to key management positions during 2012-13, by August 2014, it had not yet updated its documentation of the job descriptions for these positions. It also did not complete performance evaluations for staff in these positions during the year.

4.4 Ile-a-la Crosse School Division No. 112

4.4.1 Policy for Recording Journal Entries Needed

We recommended that Ile-a-la Crosse School Division No. 112 formally document and implement a policy for recording amounts (i.e., journal entries) in its accounting records including independent review and approval. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

An agency's financial management policies and procedures should be based on its assessment of risks to the agency. Policies and procedures set out expectations for the financial operations of an agency. Policies and procedures also help staff complete their work accurately and consistently over time, and in the event that key staff leave the organization.

By August 2014, Ile-a-la Crosse School Division No. 112 had not completed a risk assessment to determine the policies and procedures it requires to manage its financial risks. For example, it had not implemented a policy for recording journal entries.

The audit identified instances where journal entries were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records, which could result in inaccurate financial information being used by decision makers.

4.5 Light of Christ Roman Catholic Separate School Division No. 16

4.5.1 Better Monitoring of Physical Assets Needed

Light of Christ Roman Catholic Separate School Division No. 16 (Light of Christ) did not have processes to periodically verify the existence of its physical assets (i.e., computers and other equipment that, at August 31, 2014, had net book value[4] of approximately $379,000). This increases the risk that some of its physical assets may be misappropriated or disposed of without authorization and proper adjustment to the accounting records.

1. **We recommend that Light of Christ Roman Catholic Separate School Division No. 16 periodically verify the existence of its physical assets.**

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[4] Net book value is the difference between the cost of a physical asset and its accumulated amortization.

4.5.2 Controls Over School-Generated Funds Needed

School-generated funds include student fees and proceeds from fundraising activities. During 2013-14, Light of Christ had school-generated funds revenue of $876,000 and related expenses of $887,000. Light of Christ had not documented procedures for school staff to follow for collecting and recording revenues, and for dispersing school generated funds. Without documented procedures to collect, disperse, and record school-generated funds, there is increased risk that money may be misappropriated, inappropriate expenses may be incurred, and revenues recorded in the financial statements may not be complete.

2. **We recommend that Light of Christ Roman Catholic Separate School Division No. 16 document procedures for collecting and disbursing school generated funds.**

4.5.3 Performance Evaluations for Management Needed

Light of Christ did not formally evaluate the performance of its senior management. Regular performance evaluations help monitor that employees perform their duties as expected. Performance evaluations also help identify training needs to help employees obtain the necessary competencies to do their assigned work.

3. **We recommend that Light of Christ Roman Catholic Separate School Division No. 16 prepare regular performance evaluations for management.**

4.6 Living Sky School Division No. 202

4.6.1 Adequate IT Security Policies Established

We recommended that Living Sky School Division No. 202 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, we found that Living Sky School Division No. 202 established adequate IT security policies.

4.7 North East School Division No. 200

4.7.1 Complied with Purchasing Policies

We recommended that North East School Division No. 200 follow its purchasing policy. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, North East School Division No. 200 implemented a revised purchasing policy and complied with it.

4.8 Northern Lights School Division No. 113

4.8.1 Estimate Clean-Up Costs for Contaminated Sites

Public sector accounting standards require school divisions to record a liability for the expected costs to clean up contaminated sites that they own[5] in their financial statements beginning with the fiscal year ending August 31, 2015. The Ministry of Education required school divisions to adopt these accounting standards early for the fiscal year ended August 31, 2014 so that school divisions could provide the required information for preparing the Government's Summary Financial Statements for the year ended March 31, 2015. Guidance was provided by the ministries of Finance and Education to help school divisions prepare in the two years prior to adoption of the accounting standards. Information on the extent of contamination and plans to clean up contaminated sites can take time and resources to gather and analyze.

Northern Lights School Division No. 113 (Northern Lights) had known for many years that it had several sites with fuel contamination. By August 2014, Northern Lights had not obtained the necessary information to estimate the costs to clean up these sites. For example, it did not obtain an environmental assessment to determine whether contamination existed at another site. As a result, unlike almost all other school divisions, Northern Lights was not able to early adopt the accounting standards as the Ministry had expected when preparing its 2013-14 financial statements.

4. **We recommend that the Northern Lights School Division No. 113 complete the necessary assessments to estimate the costs to remediate contaminated sites it owns.**

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[5] Contamination occurs in air, soil, or water when a chemical or another harmful substance exceeds the maximum acceptable amounts under an environmental standard (Source: Chartered Professional Accountants of Canada, *CPA Canada Public Sector Accounting Handbook: PS 3260 – Liability for contaminated sites*, [2014], p. 278).

4.8.2 Adequate IT Security Policies Needed

We found that Northern Lights did not have adequate IT security policies in place. Northern Lights also did not have formal requirements for changing passwords regularly. Without adequate IT security policies, the school division's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

5. **We recommend that Northern Lights School Division No. 113 establish information technology security policies.**

4.8.3 Approved and Tested IT Disaster Recovery Plan Needed

We recommended that Northern Lights School Division No. 113 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Not Implemented

By August 2014, we found that Northern Lights had not yet approved and tested an IT disaster recovery plan. Without an approved and tested IT disaster recovery plan, the school division does not know if it could continue to deliver its programs and services if disruption or damage occurred to its IT systems.

4.9 Prairie Spirit School Division No. 206

4.9.1 Independent Review and Approval of Purchase Card Transactions Needed

Prairie Spirit School Division No. 206 (Prairie Spirit) utilizes purchase cards (i.e., credit cards) to pay for certain expenditures. Audit testing of purchases identified that senior management (e.g., superintendents) and school principals had authorization to approve their own purchase card transactions. Further, there was no independent review and approval of their monthly purchases. This increases the risk of inappropriate purchases being made, or misappropriation of assets.

6. **We recommend that Prairie Spirit School Division No. 206 independently review and approve all purchase card transactions.**

4.9.2 Policy for Recording Journal Entries Needed

Prairie Spirit did not have an adequate process for reviewing and approving amounts entered into its accounting records (i.e., journal entries). Prairie Spirit did not have a policy on preparing, posting, and reviewing journal entries that includes independent review and approval. Audit testing of the journal entry process identified some instances where journal entries were not independently reviewed and approved. This increases the risk of unauthorized entries being made to the accounting records, which could result in inaccurate financial information being used by decision makers.

7. **We recommend that Prairie Spirit School Division No. 206 formally document and implement a policy for recording journal entries in its accounting records including independent review and approval.**

4.10 Prince Albert Roman Catholic Separate School Division No. 6

4.10.1 Segregated Duties and Complied with Purchasing Policies

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 adequately segregate the duties of staff to reduce the risk of misappropriation of assets or errors. (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 follow its purchasing policy. (2014 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, Prince Albert Roman Catholic Separate School Division No. 6 (Prince Albert) segregated incompatible staff duties to reduce the risk of error or loss, and followed its purchasing policy.

4.10.2 Adequate IT Security Policies Established

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 establish adequate information technology security policies. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, we found that Prince Albert established adequate IT security policies.

4.10.3 IT Disaster Recovery Plan Approved and Tested

We recommended that Prince Albert Roman Catholic Separate School Division No. 6 approve and test its information technology disaster recovery plan. (2013 Report – Volume 1; Public Accounts Committee agreement February 13, 2015)

Status – Implemented

During 2013-14, Prince Albert approved and tested its IT disaster recovery plan.

4.11 Regina School Division No. 4

4.11.1 Estimate Clean-Up Costs for Contaminated Sites

As discussed in **Section 4.8.1**, public sector accounting standards require school divisions to record a liability in their financial statements beginning with the fiscal year ending August 31, 2015 for the expected costs to clean up contaminated sites they own. The Ministry of Education required school divisions to adopt these accounting standards early for the fiscal year ended August 31, 2014. Regina School Division No. 4 had also known for many years that it had several sites with potential fuel or oil contamination. However, those responsible for financial reporting were not informed of these sites when preparing the school division's financial statements for the year ended August 31, 2014. Therefore, no estimate of the cost to clean up these sites was included in the school division's financial statements as the Ministry expected.

8. **We recommend that Regina School Division No. 4 establish financial reporting controls to ensure those responsible for the preparation of financial statements obtain sufficient information to estimate the costs to remediate contaminated sites it owns.**

4.11.2 Independent Review and Approval of Bank Reconciliations Needed

Regina School Division No. 4 did not independently review and approve bank reconciliations.

Regular reconciliations, and the review and approval of such reconciliations provides a check that all charges to bank accounts are proper and all money has been received and deposited into the right accounts. It also provides a check on the accuracy and reliability of the accounting records.

9. We recommend that Regina School Division No. 4 independently review and approve bank reconciliations.

4.12 Sun West School Division No. 207

4.12.1 Restriction of Access to Chart of Accounts Needed

Sun West School Division No. 207 (Sun West) has not appropriately restricted access to the chart of accounts[6] in its accounting software. This increases the risk that accounts could be altered, which in turn, may affect the integrity (i.e., accuracy) of the school division's financial records, and financial statements that decision makers use.

10. We recommend that Sun West School Division No. 207 appropriately restrict access to the chart of accounts in its accounting software.

4.12.2 Follow Existing IT Security Policies

Sun West needs to follow its existing IT security policies. Sun West established a monthly schedule for installing security patches (i.e., updates) to its software programs. However, during 2013-14, Sun West was not installing all patches on a monthly basis as expected. Security patches help keep systems secure and minimize the risk of security breaches occurring.

11. We recommend that Sun West School Division No. 207 follow its existing information technology security policies.

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[6] Chart of accounts is a listing of accounts in an accounting system. Each account contains an account number, name and information that controls how an account is classified in the accounting system (e.g., asset, revenue, expense) (Source: help.sap.com/saphelp_470/helpdata/en/c7/a88ab243dd11d182b30000e829fbfe/content.htm [22 March 2015]).

5.0 EXHIBIT

5.1 School Divisions, Appointed Auditors, and Our Participation

This exhibit lists the school divisions, their appointed auditors, and our participation for the year ended August 31, 2014. Our Office works with all of the appointed auditors in the audits of school divisions' financial statements, processes to safeguard public resources, and compliance with authorities, and varies the extent of our involvement as shown below.

School Division	Appointed Auditor (at August 31, 2014)	Participated in Audit
Chinook School Division No. 211	Stark & Marsh LLP	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Miller Moar Grodecki Kreklewich & Chorney	Note 1
Conseil des écoles fransaskoises No. 310 (Conseil scolaire fransaskois)	Deloitte LLP	Note 1
Creighton School Division No. 111	Kendall & Pandya	Note 1
Englefeld Protestant Separate School Division No. 132	MNP LLP	Note 1
Good Spirit School Division No. 204	Miller Moar Grodecki Kreklewich & Chorney	Note 1
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Note 1
Holy Trinity Roman Catholic Separate School Division No. 22	Virtus Group LLP	Note 1
Horizon School Division No. 205	MNP LLP	Note 1
Ile-a-la Crosse School Division No. 112	Baert Cameron Odishaw La Cock	Note 1
Light of Christ Roman Catholic Separate School Division No. 16	Baert Cameron Odishaw La Cock	Note 1
Living Sky School Division No. 202	Holm Raiche Oberg	Note 1
Lloydminster Roman Catholic Separate School Division No. 89	Wilkinson Livingston Stevens LLP	Note 1
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	Note 1
North East School Division No. 200	MNP LLP	Note 1
Northern Lights School Division No. 113	MNP LLP	Yes
Northwest School Division No. 203	Cogent Business Consulting	Note 1
Prairie South School Division No. 210	Stark & Marsh LLP	Note 1
Prairie Spirit School Division No. 206	Deloitte LLP	Yes
Prairie Valley School Division No. 208	MNP LLP	Note 1
Prince Albert Roman Catholic Separate School Division No. 6	MNP LLP	Note 1

School Division	Appointed Auditor (at August 31, 2014)	Participated in Audit
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	Note 1
Regina School Division No. 4	MNP LLP	Yes
Saskatchewan Rivers School Division No. 119	Deloitte LLP	Yes
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Yes
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte LLP	Yes
Sun West School Division No. 207	Close Perkins & Hauta	Yes

Source: Provincial Auditor of Saskatchewan 2015.

Note 1: We reviewed the opinions of the appointed auditor on the reliability of financial statements, effectiveness of processes to safeguard public resources, and compliance with authorities. We also reviewed the summary of errors and management letters to school boards. Where necessary, we followed up with the appointed auditor to clarify issues reported.

Chapter 5
Central Services—Data Centre Security

1.0 MAIN POINTS

The Ministry of Central Services, through its Information Technology Division (ITD), provides information technology (IT) services to government ministries and some other government agencies (clients). ITD uses a data centre, operated by a third-party service provider, to deliver its data centre services to ITD clients on its behalf. The data centre houses computer network equipment and data storage.

Each year, we examine whether ITD has effective processes to secure the data centre. For the period January 1, 2014 to December 31, 2014, ITD addressed two of our past seven recommendations. However, the other areas continue to require attention. We found the ITD had effective processes except it needs to:

- Better secure IT equipment and systems
- Have an approved and tested plan to recover critical systems and data in the event of a disaster
- Complete policies that set a minimum IT security standard for clients to follow and provide security reports that better inform clients whether the ITD is effectively securing their systems and data

As a result, there is continued risk that systems and data will not be available to clients when required, or that systems or data will be inappropriately modified or accessed.

2.0 INTRODUCTION

The Ministry of Central Services Regulations, 2012 make the Ministry of Central Services responsible for developing, implementing, monitoring, and enforcing the Government of Saskatchewan's IT security policies and standards. The Ministry has assigned to ITD these responsibilities along with the responsibility for direct delivery of IT services to primarily government ministries and several agencies.[1] It refers to those ministries and agencies as its clients (see **Section 6.0** for ITD's client list at December 2014).

ITD delivers IT services involving use of electronic assets (e.g., almost 7,000 desktop computers and over 5,000 laptops) and 1,400 applications.[2] Over 12,000 staff[3] from its clients located throughout the province use these electronic assets and applications. The **Glossary** in **Section 7.0** defines many of the terms used in this chapter.

This chapter reports the results of our 2014 audit of whether ITD had effective processes to secure the data centre. We perform this audit annually to support our audits of ITD's clients.

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[1] Prior to May 2012, the Information Technology Office was a separate ministry that provided IT services to clients.
[2] Source: Information Technology Division.
[3] http://cs.gov.sk.ca/ITServices/ (8 April 2015).

2.1 IT Services Provided Directly by ITD

ITD has agreements with each of its clients outlining the specific IT services it will provide. ITD is responsible for providing certain IT services directly to clients, including:

- Developing and implementing IT security policies and programs for its clients
- Managing the relationship between ITD and its clients
- Maintaining a help desk to respond to client requests (e.g., granting/removing access to systems/data, password resets) and to help resolve problems encountered by client staff
- Monitoring and following up on security threats identified by security tools (e.g., firewalls)
- Reviewing and following up on security information provided by ITD's service providers
- Providing computers to client staff
- Providing application development and change management

2.2 Certain ITD Services Provided Through its Service Provider

ITD has engaged a third-party service provider to deliver data centre services to ITD clients on its behalf.[4] Even though it uses a service provider, ITD remains responsible for meeting the requirements it has agreed to with clients.

ITD's agreement with the service provider sets out the roles and responsibilities of both ITD and the service provider. Under this agreement, ITD pays the service provider $30 million annually.[5]

The service provider is responsible for operating the data centre. The data centre includes all servers that operate the network and host applications (i.e., hold the computer programs that store and work with client information). The data centre also includes network and telecommunications equipment that allow computers to send/receive data, systems used to backup data, and mass storage devices used to store client systems and data. The service provider is also responsible for implementing strong physical security controls to prevent unauthorized access.

ITD and its service provider have agreed on how the data centre and all related equipment are to be configured, managed, and maintained. ITD and its service provider revisit these requirements on a periodic basis (i.e., every 12 months).

ITD requires the service provider to annually report on its compliance with the agreed-upon requirements. Any equipment not in compliance with the agreed-upon requirements must either be remedied by the service provider or exempted by ITD from established requirements. For example, ITD may exempt a server from receiving security updates if there is a risk that applications on that server may not run properly if the latest server updates are applied.

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[4] ITO directly operated a data centre from 2005 until December 2010.

[5] *2013-14 Public Accounts of the Government of Saskatchewan – Volume 2*, p. 54.

2.3 Relationship Between ITD and Clients

Section 3 of *The Ministry of Central Services Regulations* makes the Ministry responsible for developing, implementing, and enforcing security policies and standards for its clients with respect to IT, information management, and records management. In addition, it is responsible for developing, procuring, and providing goods and services related to IT (i.e., it is a service provider). The Ministry carries out this mandate, as it relates to IT services, through ITD.

ITD signed agreements with its clients to describe roles and responsibilities and the services it is to provide. As described in **Section 2.0**, ITD's clients include ministries and 10 government agencies (see the list of clients in **Section 6.0**).

ITD operates on a cost recovery basis for client services; that is, it is reimbursed by clients for the services it provides. It may also receive funding for specific client-wide initiatives (e.g., computer modernization project). In 2013-14, ITD spent $121.1 million, of which it recovered $112.8 million from its clients.

ITD's clients are each responsible for their own IT systems and data. In addition to providing a secure data centre to house client systems and data, including data entrusted to its clients by the public, ITD is to provide guidance, policies, and enforcement to help clients protect systems and data. Therefore, ITD needs to help clients understand security risks associated with their IT systems, including the impact on the IT systems of other clients, and recommend actions to address these risks.

3.0 IMPORTANCE OF EFFECTIVE SECURITY PROCESSES

IT allows people to access systems and data from anywhere in the world at any time. This opportunity creates a corresponding challenge—how to effectively secure systems and data against cyberattacks[6] that can come from anywhere including IT security breaches by those with access to the network.

Organizations need effective security processes to protect the confidentiality, integrity, and availability of systems and data. Public Safety Canada has reported that the frequency and severity of cyberattacks is accelerating.[7] This includes an estimated 28% of IT security breaches perpetrated by employees inside organizations.[8]

Saskatchewan is not immune to the threat of security breaches, nor can it ever fully protect itself against all cyberattacks. Human error or intentional malicious acts will always make systems and data susceptible to attacks. However, well-secured systems are better able to defend against attacks, detect potential failures, and limit loss if systems and data are breached. For these reasons, effective security processes are of vital importance.

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[6] Cyberattacks include the unintentional or unauthorized access, use, manipulation or destruction (via electronic means) of electronic information and/or the electronic and physical infrastructure used to process, communicate and/or store that information www.publicsafety.gc.ca/cnt/rsrcs/pblctns/cbr-scrt-strtgy/cbr-scrt-strtgy-eng.pdf p. 3 (19 March 2015).

[7] Ibid.

[8] PWC (2014). *US cybercrime: Rising Risks, Reduced Readiness – Key Findings from the 2014 US State of Cybercrime Survey*, p. 9.

To protect the security of systems and data against hacking, ITD needs to ensure that its service provider implements effective security processes and that ITD's clients adhere to effective security requirements. This is because a weakness involving the service provider or ITD client staff could pose risks to all client data. For example, system administrators (i.e., privileged users) can use their greater system access to install programs on the network to steal information, or virus threats can be inadvertently introduced to the network by employees. Without effective security controls, someone could gain unauthorized access, inappropriately access confidential information, inappropriately modify systems or data, or perform acts that could affect availability of systems and data.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of our audit was to assess whether the Information Technology Division of the Ministry of Central Services had effective processes to secure the data centre for the period of January 1, 2014 to December 31, 2014.

The audit did not assess the effectiveness of security controls (e.g., user access controls) for specific client systems (e.g., financial accounting or payroll systems). We assess security controls in our audits of ITD's clients.

We examined both ITD's and its service provider's controls and processes used to secure the data centre, including network device (e.g., firewall, switch) configuration, server patch levels, and physical security at the data centre. We interviewed ITD and service provider staff. We also examined ITD's agreements, minutes, reports, and policies.

To conduct our audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate ITD's processes, we used criteria (see **Figure 1**) based on the work of other auditors and literature listed in the selected references. The criteria are primarily based on *The Trust Services Principles, Criteria, and Illustrations* published by the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. ITD management agreed with the criteria.

Figure 1—Audit Criteria

1. **Demonstrate management commitment to security**
   1.1 Have an agreement with its service provider
   1.2 Threat and risk assessments are performed
   1.3 Management approves policies and procedures
   1.4 Management monitors security
2. **Protect the data centre from unauthorized access**
   2.1 User access controls protect the data centre from unauthorized access
   2.2 Physical security controls protect the data centre from unauthorized access
3. **Ensure the availability of data centre**
   3.1 Backup processes exist and are followed
   3.2 Disaster recovery plans exist and are tested
4. **Ensure the integrity of systems and data**
   4.1 Change management processes exist and are followed
   4.2 Operational processes exist and are followed

We concluded that, for the period of January 1, 2014 to December 31, 2014, the Information Technology Division of the Ministry of Central Services had effective processes to secure the data centre except that it needs to:

- **Better restrict access to IT equipment and systems**
- **Fully secure all key servers and network equipment**
- **Have an approved and tested plan to recover systems and data in the event of a disaster**
- **Provide security reports that better inform clients whether the Information Technology Division is effectively securing their systems and data, including consequences of any issues**
- **Complete security policies that set a minimum IT security standard for clients to follow**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations.

5.1 Threat and Risk Assessment Processes Followed

We recommended that the Information Technology Division of the Ministry of Central Services follow its established processes to identify and manage risks related to the data centre. (2014 Report – Volume 1; Public Accounts Committee agreement September 23, 2014)

Status – Implemented

ITD updated its IT risk management policy in February 2015. The policy continued to require a risk officer to maintain a risk register that identifies, describes, categorizes, and assesses key risks. The risk officer is expected to provide status updates on the progress to address key risks to the Ministry's Executive Committee.

We found ITD staff revisited and updated the risk register in February 2015 and presented it to the Ministry's Executive Committee.

5.2 ITD Monitored its Service Provider

We recommended that the Information Technology Division of the Ministry of Central Services monitor whether its service provider meets its security requirements. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

Status – Implemented

ITD's agreements with its service provider included requirements for configuring and maintaining server and network equipment. ITD required the service provider to provide security reports, called compliance scan reports, to confirm security requirements were met.

During 2014, ITD received and reviewed weekly compliance scan reports for network equipment and an annual report for servers. It also received weekly information from the service provider about patches applied to servers. The compliance scan reports showed that security requirements were not always met. For example, scan reports showed 54 servers not in compliance with configuration policies at the end of 2014 (as later described in **Section 5.4**).

5.3 Need to Better Restrict Access

We recommended that the Information Technology Division of the Ministry of Central Services adequately restrict access to systems and data. (2012 Report – Volume 2; Public Accounts Committee agreement September 23, 2014)

Status – Partially Implemented

ITD continued to allow insecure methods for accessing systems and data. At December 31, 2014, ITD continued to maintain network accounts that did not comply with its password standards. For example, it allowed passwords for certain network accounts to not expire. Some of these accounts belonged to users with access to critical IT functions. Once a privileged user account and password are known, an unauthorized person could affect the performance of the server or the related network. We found some of these user accounts belonged to clients. As noted later in **Section 5.6**, ITD provided clients with reports that described how certain network user accounts did not comply with or required exceptions from password policies.

Also, at December 2014, ITD had over 1,000 non-user accounts with passwords not set to expire. The network and systems use these accounts to manage interactions between computers. ITD began to exempt these accounts from its 90-day password change policy, as well as implement stronger controls (e.g., longer and more complex passwords) to reduce the related risks. It had not completed this work by December 31, 2014. Weak password controls increase the possibility that a password may be compromised and used to gain unauthorized system access.

ITD allowed certain users to have local administration rights to the computers they use. Local administration rights enable users to change configuration settings that could impact a computer's security. For example, local administration rights allow users to install new programs on computers without authorization, which increases the risk of viruses and malware that can create availability issues for the network.

During 2014, ITD began updating operating systems on client desktop computers. Implementation of the updated operating system will allow ITD to reduce the number of users who had required local administration rights (e.g., to run older versions of applications) and permit improved monitoring of those users who have these rights.

ITD continued to lack processes to adequately secure remote access to certain network equipment and systems. For example, ITD allowed users to access the network from their home computers through older remote access methods. These remote access methods did not incorporate advancements in security practice (e.g., requiring two different ways of verifying a user during logon, such as something a user has, like a token, and something a user knows, like a password). ITD does not and cannot manage home computers to make sure they are effectively secured (e.g., using firewalls, antivirus software). As a result, ITD is at an increased risk of hackers compromising or using home computers to obtain access to the data centre without being physically present.

5.4 Need to Fully Secure Servers and Network Equipment

We recommended that the Information Technology Division of the Ministry of Central Services adequately configure and update its server and network equipment to protect them from security threats. (2012 Report – Volume 2; Public Accounts Committee agreement September 23, 2014)

Status – Partially Implemented

As in prior years, ITD lacked information from clients about the classification (e.g., level of sensitivity) of the data it manages on behalf of clients. By December 2014, ITD had not established separate parts of the network that differentiate security controls based on data classification (i.e., stronger security controls for systems that collect confidential information such as social insurance numbers). ITD had begun to document which client data resides on particular servers so that it can work with its clients to determine the security level required for the data. We found not all servers were properly configured and updated. This puts client systems at risk including those systems that contain sensitive and confidential data.

At the end of 2014, ITD's records showed that, of the nearly 1,000 servers that it managed, 54 servers were not in compliance with configuration policies and 369 servers used unsupported operating systems. Use of unsupported operating systems means security updates (e.g., Windows updates) are not available for these servers. This increases the risk of someone hacking into the server to gain unauthorized access to systems and data. We found that some of the unsupported servers host sensitive and confidential client information (e.g., fine and offender information, information about vulnerable adults and children, information about post-secondary students and their families). As noted in **Section 5.6**, ITD has not obtained clients' acceptance of the risks related to storing this information on systems that did not comply with security requirements.

Security patches address known security vulnerabilities. Attackers wanting to hack into systems can exploit these vulnerabilities to gain unauthorized access to systems and data. Although ITD's service provider patched (i.e., updated) most servers, on at least a quarterly basis, patching on all servers was not complete for all known vulnerabilities.

Of 15 servers we tested, we found 10 servers were missing patches dating back to October 2009. For most of the missing patches on the 10 servers, ITD did not request its service provider or ITD staff to apply the patches to the servers. Also, ITD did not have a documented risk analysis on why these servers did not need the missing patches.

By December 2014, ITD had started to document which particular client systems and data reside on which servers so that it can explain the related risks to its clients. Management advised us that it plans to provide the risk analysis related to unsupported servers to its clients in 2015.

As in prior years, ITD used firewalls to help protect its data centre from hackers. While ITD located data centre firewalls at appropriate locations, and monitored reported security events, the firewalls (at the data centre and at client locations) were not properly configured. For example, ITD's data centre firewall rules did not effectively restrict access to the data centre because ITD did not effectively define the firewall rules that its service provider must follow.

We also found client firewalls and network switches at the data centre were not patched for known vulnerabilities, dating back to 2013 for client firewalls and May 2014 for the network switches. Inadequate firewall rules and untimely patching increases the risk of a security breach.

ITD had plans to review and update its firewall rules as part of a network security modernization plan in 2014, but it advised that it could not continue this work due to resource constraints. Management advised us that ITD is considering how to implement its network security modernization plan over a longer period.

5.5 Complete and Tested Disaster Recovery Plan Required

We recommended that the Information Technology Division of the Ministry of Central Services have a disaster recovery plan for the data centre and client systems. (2006 Report – Volume 3; Public Accounts Committee agreement April 3, 2007)

Status – Partially Implemented

As in prior years, ITD did not have a complete and tested disaster recovery plan for the data centre including critical client systems (e.g., student loan system, correctional information system). These conditions could result in critical IT systems, data, and services not being available to the Government and the people of Saskatchewan when needed.

At December 31, 2014, ITD's agreement with its service provider continued to require the service provider to provide only "best efforts" recovery service in the event of a disaster. If a disaster occurred, it is not clear how long it would take for systems and data to be operational, if best efforts recovery would meet client needs, or how much the recovery would cost. As a result, certain ITD clients have signed separate disaster recovery agreements with service providers to restore specific critical systems and data if a disaster occurs.

Having multiple agreements for disaster recovery does not result in an effective enterprise approach to disaster recovery for the data centre. Also, the recovery of critical client systems is dependent on the data centre (e.g., network switches, firewalls, network storage, network drives, email) being available to continue business operations following a disaster. Management advised us that, at February 2015, it had drafted a request for proposal for disaster recovery services for the data centre.

5.6 Client Security Reports Being Drafted

We recommended that the Information Technology Division of the Ministry of Central Services provide relevant and timely security reports to its clients. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

Status – Partially Implemented

Each of ITD's clients is responsible for its own systems and data. Accordingly, each requires timely and relevant information from ITD – their service provider – to be able to effectively monitor ITD's security services and to understand the security issues that could impact their systems and data.

As in prior years, ITD continued to provide its clients with monthly reports about network availability as well as firewall and intrusion detection system security alert statistics. These reports outline security services conducted by ITD. ITD also reported information specific to each client about any security investigations completed (e.g., related to lost computers), risks accepted by the specific client (e.g., granting additional access rights to users other than those allowed by policy), network user accounts that had not been used for an extended time period, and network user accounts with exceptions to password policies (e.g., passwords that do not expire).

However, these reports are not sufficient. For example, during 2014, ITD agreed with the service provider that certain servers would be exempt from specific security standards based on the nature of the client applications (e.g., clients required use of older, unsupported applications). This included servers that hosted confidential client information (e.g., information about vulnerable persons). ITD needs to better report risks to clients to inform client decisions on how to address the risks or to document the clients' acceptance of the risks.

By December 31, 2014, ITD had created a template for an annual security report to its clients. ITD intends the reports to summarize the impact of identified data centre weaknesses (e.g., untimely server updates) on client systems and data. ITD also expects to use the reports to explain to clients how risks—including those documented in exemptions from specific security standards—affect client information. ITD plans to start providing the new annual security reports to its clients in 2015.

5.7 Complete Client Security Policies Progressing

We recommended that the Information Technology Division of the Ministry of Central Services establish information technology security policies for its clients. (2008 Report – Volume 3; Public Accounts Committee agreement December 10, 2008)

Status – Partially Implemented

In past years, ITD developed or revised security policies and procedures for clients in a number of areas (e.g., physical security, access control, incident management). By December 31, 2014, ITD had not finalized or implemented these policies in accordance with its established planned dates.

During 2014-15, ITD continued to work with the Public Service Commission to finalize the draft IT acceptable use policy. ITD expects to adopt this policy when it is finalized. ITD advised us that it expects to approve the remaining policies in 2015-16. Management indicated that it plans to obtain client feedback and acceptance of the policies before it finalizes and implements them.

6.0 ITD CLIENT LIST AT DECEMBER 2014

Ministries:
Ministry of Advanced Education
Ministry of Agriculture
Ministry of Central Services
Ministry of Education
Ministry of the Economy
Ministry of Environment
Executive Council
Ministry of Finance
Ministry of Government Relations
Ministry of Highways and Infrastructure
Ministry of Justice
Ministry of Labour Relations and Workplace Safety
Ministry of Parks, Culture and Sport
Public Service Commission
Ministry of Social Services

Agencies:
Apprenticeship and Trade Certification Commission
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority
Physician Recruitment Agency of Saskatchewan
Public Guardian and Trustee
Saskatchewan Legal Aid Commission
Saskatchewan Grain Car Corporation
Saskatchewan Housing Corporation
SaskBuilds
Technical Safety Authority of Saskatchewan

7.0 GLOSSARY

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Change Management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data Centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster Recovery Plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up using firewall rules to only allow certain types of data through.

Network—A group of computers that communicate with each other.

Network Switch—Hardware that connects devices (e.g., computers, printers, servers) within a network.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical Access Controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User Access Controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

8.0 SELECTED REFERENCES

Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. (2014). *Trust Services Principles, Criteria, and Illustrations.* Toronto: Author.

International Organization for Standardization. (2013). ISO/IEC 27002:2013(E). *Information Technology – Code of Practice for Information Security Management; 2nd Edition.* Geneva: Author.

The Information Systems Audit and Control Association. (2012). *COBIT 5*. Rolling Meadows, IL: Author.

Chapter 6
Summary of Implemented Recommendations

1.0 MAIN POINTS

This chapter provides an update on recommendations that were implemented and are not discussed elsewhere in this Report.

2.0 SUMMARY OF IMPLEMENTED RECOMMENDATIONS

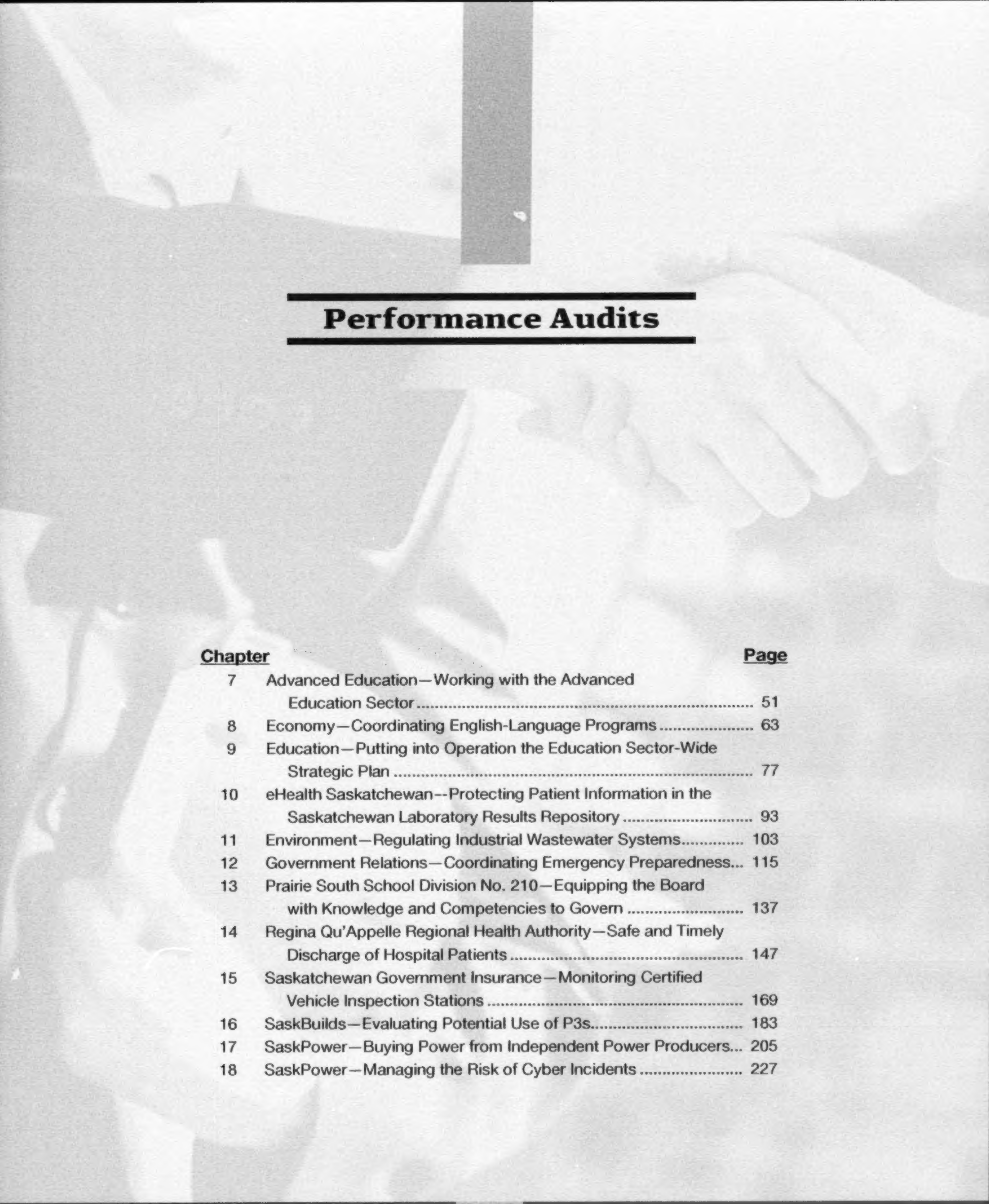
Figure 1 sets out, by agency, the recommendation(s) and highlights key actions taken by each agency to implement its recommendation(s).

Figure 1—Implemented Recommendations

Past Recommendation (Initial PAS Report, Date of Agreement of PAC/CCAC)*	Key Actions Taken to Implement Recommendation
Public Service Commission: MIDAS HR/Payroll	
We recommended that the Public Service Commission follow its established procedures requiring prompt removal of privileged user access to MIDAS HR/Payroll data. (2014 Report – Volume 1; Public Accounts Committee agreement December 9, 2014)	The Public Service Commission followed its established procedures for prompt removal of privileged user access to MIDAS HR/Payroll data during 2014.
We recommended that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. (2010 Report – Volume 1; Public Accounts Committee agreement June 7, 2011)	During 2014, the Public Service Commission implemented a new system to review payroll reports. This system provides the ability to review and approve payroll reports electronically. It also tracks payroll reports that are complete and those outstanding that require review. The Public Service Commission consistently documented its review of payroll reports and resolution of matters resulting from its review during 2014.
Saskatchewan Telecommunications Holding Corporation	
We recommended that the Board of Saskatchewan Telecommunications International, Inc. more actively oversee management to better identify risk of management override and circumvention of controls. (2014 Report – Volume 1; Crown and Central Agencies Committee has not yet considered this recommendation)	During 2014, Saskatchewan Telecommunication International, Inc. (SaskTel International) appropriately established processes to identify management override and circumvention of controls related to revenue recognition. Processes included staff regularly updating the status of projects. Management followed up with relevant staff to ensure that the status of projects was current. SaskTel International also began requiring staff to provide monthly sign-off on variance analysis for their projects, along with confirmation of the completeness and accuracy of information maintained in the project tracking software. During the year, a portfolio governance committee comprised of the executive committee and directors met monthly to analyze ongoing projects and business opportunities. SaskTel International's board met in-camera with the Chief Financial Officer (CFO) throughout the year. Such communication provided an opportunity for board members and the CFO to address concerns regarding management override and circumvention of controls, if such circumstances arose.

Past Recommendation (Initial PAS Report, Date of Agreement of PAC/CCAC)*	Key Actions Taken to Implement Recommendation
Saskatchewan Housing Corporation	
We recommended that the Saskatchewan Housing Corporation sign an agreement with the information Technology Office that includes testing of disaster recovery procedures. (2011 Report – Volume 1; Public Accounts Committee agreement August 28 2012)	Effective January 2014, the agreement with the Information Technology Department was revised to require that disaster recovery be tested annually. On May 2, 2014, a disaster recovery plan was created and on May 26, 2014, the plan was tested.

* PAS – Provincial Auditor of Saskatchewan.
PAC – Standing Committee on Public Accounts.
CCAC – Standing Committee on Crown and Central Agencies.



Performance Audits

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Chapter 7
Advanced Education—Working with the Advanced Education Sector

1.0 MAIN POINTS

The *Saskatchewan Plan for Growth – Vision 2020 and Beyond* includes key strategies related to post-secondary education and skills training. These strategies include having programs to address Saskatchewan employers' current and future needs, helping First Nations students moving off reserve in their pursuit of jobs and educational opportunities, making the attraction and retention of international students a cornerstone of the province's international immigration strategy, and supporting science and research activities.

The Ministry of Advanced Education (Ministry) has aligned the strategies set out in its *Plan for 2014-15* with the Government's *Saskatchewan Plan for Growth*. The Ministry largely depends on the cooperation of post-secondary institutions that deliver education and training to achieve its strategies. As such, it must work with them to secure their cooperation. Achievement of the Ministry's Plan is critical to avoid a shortfall of skilled workers to meet future labour needs and help ensure public resources are spent efficiently and effectively.

In 2014, the Ministry had, other than for the following matters, effective processes to work with the advanced education sector to achieve its strategies for the sector as set out in the *Ministry of Advanced Education Plan for 2014-15*. The Ministry needs to:

- Establish measurable targets to enable monitoring of the achievement of its strategies
- Analyze gaps in achieving its strategies and use the analysis when determining how to best engage post-secondary institutions to contribute to the Ministry's strategies

We make two recommendations to assist the Ministry in improving its processes to work with the advanced education sector in achieving the strategies set out in its plan.

2.0 INTRODUCTION

Studies show that individuals with higher levels of education "are more likely to have higher wages, higher rates of employment, shorter periods of unemployment, and better health outcomes."[1] Education is also a key component of productivity and growth, which in turn results in a higher standard of living, and supports the Government of Saskatchewan's goal of growth and opportunity.[2]

The Ministry of Advanced Education (Ministry) is responsible for the post-secondary education sector.[3] Under section 3 of *The Ministry of Advanced Education Regulations*, its objectives and purposes include coordinating, developing, implementing, promoting and enforcing policies and programs of the Government of Saskatchewan related to post-secondary education.

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[1] *Ministry of Advanced Education Plan for 2014-15*, p. 5.
[2] Ibid.
[3] Ibid., p. 3.

As shown in **Figure 1,** the *Ministry of Advanced Education Plan for 2014-15* (Plan) sets out the Ministry's mission and six related strategies. As shown in **Exhibit 5.1**, the Ministry has aligned its strategies with those of the provincial government.[4]

Figure 1 — Ministry of Advanced Education Mission and Six Strategies

Mission Statement

The Ministry provides leadership and resources to foster a high-quality advanced education and training system that responds to the needs of Saskatchewan's people and economy.

Education Strategies

1. Support growth by ensuring an educated and skilled workforce to meet existing and future labour market demand
2. Support growth by funding research and innovation
3. Support students to enrol, attend and succeed in advanced education
4. Support First Nations and Métis students' participation and success in advanced education
5. Support the advanced education sector by providing leadership and resources
6. Support the Ministry to be responsive and responsible

Source: Adapted from *The Ministry of Advanced Education Plan for 2014-15*.

This chapter describes our audit of the Ministry's processes to work with the advanced education (post-secondary) sector to achieve the Ministry's strategies for the sector (strategies) as set out in its Plan.

2.1 Ministry Relationship with Post-Secondary Institutions

The Ministry is responsible for strategic alignment and effective two-way communication and information sharing between the Ministry and post-secondary institutions.[5] To be successful in achieving its mandate and Plan, the Ministry must engage post-secondary institutions in its strategies.[6]

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[4] The provincial government's strategies for the advanced education sector, as set out in the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, include the following:

- Align programs provided by Saskatchewan's training institutes and workforce readiness activities to the current and future needs of employers in the province, while working with employers to increase the number of industry-sponsored training seats in Saskatchewan post-secondary institutions.
- Work with First Nations partners, employers and post-secondary institutions to build on promising programs underway that assist in transitioning First Nations students moving off reserve to pursue jobs and educational opportunities.
- Make the attraction and retention of international students a cornerstone of the province's international immigration strategy, with a goal of increasing the number of international post-secondary students studying in Saskatchewan by at least 50% by 2020.
- Support science and research activities through the province's post-secondary institutions.

[5] *Ministry of Advanced Education Annual Report for 2013-14*, p. 3.

[6] Ibid.

Saskatchewan's post-secondary education sector is comprised of the Ministry and a diverse group of post-secondary institutions, including the following:[7]

- Saskatchewan Polytechnic (Sask Polytechnic, formerly SIAST) and seven regional colleges (e.g., Parkland College, Great Plains College) which are part of the Government
- Aboriginal and Northern Education institutions (Saskatchewan Indian Institute of Technologies [SIIT], Gabriel Dumont Institute of Native Studies and Applied Research [GDI]) and programs (Northern Teacher Education Program [NORTEP], Northern Professional Access College [NORPAC])
- University of Saskatchewan and University of Regina
- Four Federated colleges (Campion College, Luther College, St. Thomas More College, First Nations University of Canada)[8]
- Six Affiliated colleges (St. Peter's College, Briercrest College & Seminary, College of Emmanuel and St. Chad, Horizon College & Seminary, Lutheran Theological Seminary, St. Andrew's College)[9]
- Various private vocational schools[10]

The accountability relationships between the Government, the Minister, and each of these post-secondary institutions vary significantly as does the nature and extent of these institutions' interaction with the Ministry. For example, some institutions like Sask Polytechnic are part of the Government (see shaded cells in **Exhibit 5.2**) which provides the Minister with authority to oversee and direct certain activities. For other institutions like the universities, the Minister may have certain authority to obtain information and approve certain types of transactions (e.g., large capital expenditures). And for yet others, like private vocational schools, the Ministry has a regulatory role.

Other than vocational schools, the Government, primarily through the Ministry, provides each post-secondary institution with funding. As shown in **Figure 2**, the Ministry gives about $700 million each year to post-secondary institutions for operating, capital, and other initiatives (e.g., targeted funding for adding new training seats for nurse practitioner and perioperative nursing programs, medical undergraduate programs, and residencies).[11,12]

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[7] Adapted from the Ministry's website http://ae.gov.sk.ca/post-secondary-educ-institutions (7 November 2014).

[8] Federated colleges are academically integrated with a university but legally and financially independent from that university; they have a different governing board. They generally offer undergraduate Arts and Science degree programs which the related university recognizes. They cannot grant degrees. www.saskatchewan.ca/live/post-secondary-education/universities-colleges-and-schools/post-secondary-institutions (21 November 2014).

[9] Affiliated colleges are associated with a university, but not academically integrated with it. Some offer courses to fulfill first and second year Arts and Science course requirements for university degree programs or to meet the entrance requirements for some of the professional colleges within the universities. Most of the Saskatchewan affiliated colleges are theological colleges. www.saskatchewan.ca/live/post-secondary-education/universities-colleges-and-schools/post-secondary-institutions (21 November 2014).

[10] Private vocation schools are privately owned and operated and subject to provincial regulation.

[11] *Ministry of Advanced Education Plan for 2014-15*, p. 3.

[12] The Ministry also provides post-secondary students with financial support such as loans, grants, scholarships under Saskatchewan Student Aid Fund, Graduate Retention Program, Saskatchewan Advantage Scholarship, and Saskatchewan Advantage Grant for Education Savings.

Figure 2—Ministry of Advanced Education Grants to Post-Secondary Education Sector

	2013-14 Planned	2013-14 Actual (in thousands)	2014-15 Planned
Universities, Federated and Affiliated Colleges	$ 474,089	$ 471,963	$ 488,748
Technical Institutes (Saskatchewan Polytechnic)	150,300	150,331	151,940
Regional Colleges	27,717	27,749	28,271
Post-Secondary Capital Transfers	25,500	22,500	32,600
Innovation and Science Fund	6,350	6,350	6,350
Science and Technology Research	9,731	9,731	9,731
Total	**$ 693,687**	**$ 688,624**	**$ 717,640**

Source: *Government of Saskatchewan – 2014-15 Estimates* (AE02), p. 24 for "Planned" amounts; *Ministry of Advanced Education Annual Report for 2013-14*, p.19 for 2013-14 actuals. Note that institutions within the sector may also receive funding from other ministries.

As shown in **Exhibit 5.2**, provincial government funding is the primary source of revenue for post-secondary institutions that are directly part of the Government (e.g., regional colleges). For other post-secondary institutions, the extent to which these post-secondary institutions rely on government funding to deliver their programs varies (e.g., 16% to 78% in 2014-15).

The Ministry must effectively engage post-secondary institutions within the sector and coordinate its efforts to achieve its mission and work towards the Government's strategies. Working effectively with others helps all within the sector understand and work towards common goals. Without such processes, there is increased risk that efforts of post-secondary institutions may not be aligned with the Ministry's strategies, and overall provincial government strategies may not be achieved. Lack of effective processes to work with institutions in the sector increases the risk of not having a skilled work force to meet future labour needs and not supporting First Nations and Métis students' participation in the sector. Also, lack of alignment increases the risk that public resources will not be spent efficiently and effectively.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of the Ministry of Advanced Education's processes to work with the advanced education sector to achieve the Ministry's strategies for the sector (strategies) as set out in the *Ministry of Advanced Education Plan for 2014-15*. The advanced education sector comprises the Ministry and post-secondary institutions noted in **Section 2.1**. We assessed the Ministry's processes for the 12-month period ended December 31, 2014.

This audit did not assess the Ministry's processes for providing direct financial supports to students in the advanced education sector and to graduates (e.g., through the Saskatchewan Student Aid Fund, Graduate Retention Program, Saskatchewan Advantage Grant for Educational Savings).

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. **Section 6** includes key sources for these criteria. Management agreed with these criteria (see **Figure 3**).

We examined Ministry policies, procedures, and manuals that relate to working with the advanced education sector. We reviewed relevant planning documents and reports (such as risk assessments), interviewed Ministry staff, reviewed correspondence between the Ministry and post-secondary institutions, and tested a sample of related correspondence.

Figure 3—Audit Criteria

Effective processes to work with the advanced education sector to achieve the Ministry's strategies for the sector as set out in the *Ministry of Advanced Education Plan for 2014-15* (strategies) includes processes to:

1. **Develop a plan to engage post-secondary institutions to contribute to Ministry strategies**
    1.1 Identify which post-secondary institutions and aspects of their operations are key to the Ministry achieving its strategies
    1.2 Identify gaps in achieving strategies (i.e., current and future status of the strategies)
    1.3 Identify significant risks to achieving strategies
    1.4 Determine methods to work with key post-secondary institutions
2. **Build commitment of key post-secondary institutions**
    2.1 Establish sector communication channels (e.g., working and steering committees)
    2.2 Confirm understanding of strategies
    2.3 Obtain support from post-secondary institutions regarding responsibilities in relation to supporting strategies
3. **Monitor results of processes to engage post-secondary institutions**
    3.1 Collect information (on achievement of plans)
    3.2 Analyze whether desired results are being achieved
    3.3 Adjust processes as necessary

We concluded that for the 12-month period ended December 31, 2014, the Ministry of Advanced Education had effective processes to work with the advanced education sector to achieve the Ministry's strategies for the sector as set out in the *Ministry of Advanced Education Plan for 2014-15*, except it needs to:

- **Establish measurable targets to enable monitoring of the achievement of its strategies**
- **Analyze gaps in achieving its strategies and use the analysis when determining how to best engage post-secondary institutions to contribute to Ministry strategies**

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to each audit criteria in **Figure 3**.

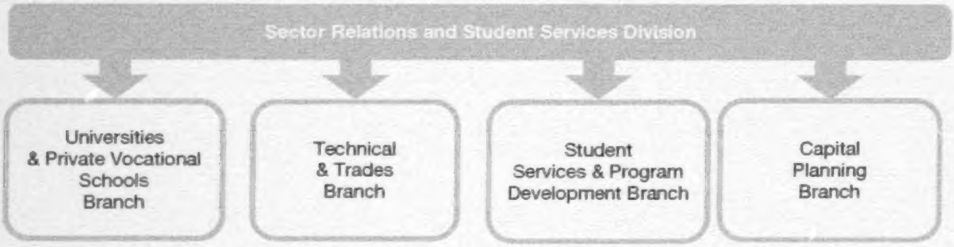
4.1 Planning to Engage Institutions Needs Improvement

We expected the Ministry to identify which post-secondary institutions and aspects of their operations are key to the Ministry achieving its strategies for the sector. It would *analyze post-secondary institution operations, and identify gaps and risks in achieving strategies. It would determine methods to work with them to support the Ministry's strategies.*

We found the Ministry's risk assessment process considers its involvement with post-secondary institutions. For example, the Ministry identified "stakeholder alignment" as one of its top risk areas. The Ministry defined this risk as the risk of making sure that stakeholder actions are in line with Government and Ministry priorities.[13]

The Sector Relations and Student Services Division (Division) within the Ministry is responsible for working with the post-secondary education sector. The Division, and each of its four branches (see **Figure 4**), has a work plan that links to the Ministry's strategies.

Figure 4—Ministry of Advanced Education: Sector Relations and Student Services Division


Sector Relations and Student Services Division
Universities & Private Vocational Schools Branch
Technical & Trades Branch
Student Services & Program Development Branch
Capital Planning Branch

Source: Adapted from information provided by the Ministry of Advanced Education.

From our review of work plans, we found that the Division and three branches[14] identified specific institutions, and described certain strategies/actions/activities to work with those institutions to support implementation of strategies in the *Ministry of Advanced Education Plan for 2014-15* (Plan). For example, they identified actions such as providing targeted funding to Sask Polytechnic to increase available training for health professionals, working collaboratively to implement the recommendations from the evaluation of NORTEP/NORPAC, and supporting research and innovation by providing funds to the International Vaccine Centre and Canadian Light Source synchrotron (University of Saskatchewan).

We found the methods and structures the Ministry used to work with post-secondary institutions varied (see **Section 4.2** for a description of key methods). The Division and branch work plans identified methods of working with certain institutions to achieve desired results. Also, the Ministry used a high-level guide to help organize its interactions with the institutions.

However, the Ministry had not set out preferred methods for engaging post-secondary institutions based on an analysis of gaps in achieving Ministry strategies. As later discussed in **Section 4.3**, the Ministry had not set measurable targets that could assist it in identifying gaps in achieving its strategies. For example, the Ministry's annual report includes information about the Saskatchewan population aged 15 years and over with post-secondary education. The proportion of individuals that had some post-secondary education but had not achieved a certificate, diploma or university degree dropped from 9.0% to 7.6% between 2008 and 2013. The proportion with a post-secondary certificate or diploma remained relatively unchanged during the same timeframe (increasing from 29.0% to 29.6%). The proportion with a university degree increased from 14.4% to 18.3%.[15]

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[13] In our *2011 Report – Volume 1*, Chapter 2, we reported on the adequacy of the Ministry's agency-wide risk management processes from September 1, 2010 to February 28, 2011 and made three recommendations. By July 31, 2013, the Ministry had implemented these recommendations (see *2013 Report – Volume 2*, Chapter 33).

[14] The fourth branch, Capital Planning, was not relevant to this audit.

Without a review and analysis of gaps, informed by progress against goals, the Ministry may not develop approaches to engagement to capitalize on potential opportunities or mitigate threats to the achievement of its strategies.

1. **We recommend that the Ministry of Advanced Education analyze gaps in achieving the Ministry's strategies for the Advanced Education sector, and use the analysis to determine how to best engage post-secondary institutions to contribute to the strategies.**

4.2 Ministry Works to Build Commitment

We expected the Ministry to establish methods of building understanding and commitment through funding and communication channels (e.g., working and steering committees). It would obtain support from post-secondary institutions for the Ministry's strategies.

The Ministry has authority over post-secondary institutions that are part of the Government (see **Exhibit 5.2**). It can influence the others through involvement in their boards, by its funding (targeted or operating), and through various communication channels. These include the following:

- Regular meetings with institutions – the Ministry meets with certain institutions in order to maintain an engaged and open relationship. These meetings have agendas and minutes are kept for certain meetings. The frequency of these meetings varies by institution. The institutions that meet regularly with the Ministry include:
  - University of Saskatchewan (monthly)
  - University of Regina (monthly)
  - Sask Polytechnic (quarterly)
  - Regional colleges (approximately quarterly)

- Annual business plan and budget approval or support letters – the Ministry provides letters of approval to institutions from which it obtains business plans. The letters refer to the *Saskatchewan Plan for Growth* and discuss specific initiatives for each institution. These institutions are:
  - Sask Polytechnic
  - Regional colleges
  - Saskatchewan Indian Institute of Technologies
  - Dumont Technical Institute

  The Ministry meets to discuss annual business plans with these institutions.

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[15] *Ministry of Advanced Education Annual Report for 2013-14*, p. 15.

- Guidelines for preparation of annual operations forecast – guideline letters refer to the *Saskatchewan Plan for Growth* and certain government/Ministry initiatives, set out minimum information requirements, and describe criteria the Ministry uses to evaluate proposals for initiatives (including alignment with government and Ministry strategies). Institutions that are required to submit operating forecasts are:
    - University of Saskatchewan
    - University of Regina
    - Sask Polytechnic
    - Regional Colleges (excluding Lakeland College)
    - Federated Colleges
    - St. Peter's College
    - Saskatchewan Indian Institute of Technologies
    - Gabriel Dumont Institute of Native Studies and Applied Research
    - Dumont Technical Institute
    - NORTEP/NORPAC

    The Ministry meets with each of these institutions separately to review and discuss their operating forecasts.

- Annual funding letters – the Ministry provides funding letters to institutions it funds each year to communicate the approved funding for the year. The funding letters also refer to the *Saskatchewan Plan for Growth* and four key themes (First Nations and Métis success, workforce attachment, accountability, and sustainability).

- Regional College Accounting and Reporting Manual – the Ministry provides a manual to the regional colleges and Sask Polytechnic. The Manual sets out certain information on expectations for planning. The Manual specifies that institutions' planned actions should describe why strategic choices were made, and be linked/connected to the Ministry's mandate and government priorities.

- Informal discussions – the Ministry maintains contact between representatives from the Ministry and representatives from the post-secondary institutions. This contact occurs at various levels and is done on an as-needed, informal basis.

- Formation and use of working groups – the Ministry establishes various working groups, councils or committees (working groups) designed to address specific needs or initiatives. Some examples of working groups are:
    - Saskatchewan Post-Secondary Technical Institute Council
    - Student Information System Working Group
    - Action Team on Growth and Sustainability
    - Joint Accountability and Governance Advisory Committee
    - Standing Committee on University Funding

- The Post-Secondary Leadership Forum – the Ministry hosted a forum in Regina in May of 2014. This one-day event included a variety of topics related to the Ministry's strategies and the post-secondary sector.

We observed institutions demonstrating their understanding and agreement to support achievement of the Ministry's strategies and expectations in the institutions' business plan submissions, operating forecasts submissions, and in their acceptance of funding.

We found that the Ministry used these various communication channels and methods to emphasize its strategies and to influence institutions to implement those strategies in their operations. For example, annual funding letters from the Ministry to institutions show the Ministry's agreement with the institutions' business plans and communicate the Ministry's expectation that the institutions support the Ministry's strategies. However, as noted in **Section 4.1**, these channels and methods were not supported by an analysis of gaps in achieving the Ministry's strategies. Such analysis would inform the Ministry's actions to engage post-secondary institutions.

4.3 Better Monitoring of Results Needed

To monitor the results of its processes to engage post-secondary institutions, we expected the Ministry to collect information to analyze whether desired results were being achieved, and to adjust its processes as necessary.

The Ministry's annual report includes a number of performance measures (e.g., post-secondary enrolments, employment rate by education level, educational attainment of First Nations and Métis and non-First Nations and Métis populations aged 15 years and over) related to the achievement of its strategies set out in **Figure 1**. The Ministry collects information to report results using these measures. The Ministry has also indicated that it is in the early stages of developing comparable performance indicators that could be used within the sector.

However, except for the provincial strategy noted below, the Ministry has not identified any specific, measurable targets or timelines. It has not done this in relation to its approach to working with post-secondary institutions, nor for its performance measures. We note that the Government's *Saskatchewan Plan for Growth* has set a specific goal of increasing the number of international post-secondary students studying in Saskatchewan by at least 50% by 2020.[16]

Without specific, measurable targets or timelines, the Ministry is hindered in analyzing and reporting progress towards achieving its strategies.

2. We recommend that the Ministry of Advanced Education use specific, measurable targets and timelines to monitor progress towards achievement of its strategies.

We found the Ministry adjusted its processes for engaging post-secondary institutions. For example, it changed its guidance to post-secondary institutions for preparing plans and reports. However, as noted above, the Ministry needs to establish targets to allow it to more effectively analyze and monitor the achievement of its strategies. It can use this information to make adjustments to its processes to more effectively engage post-secondary institutions.

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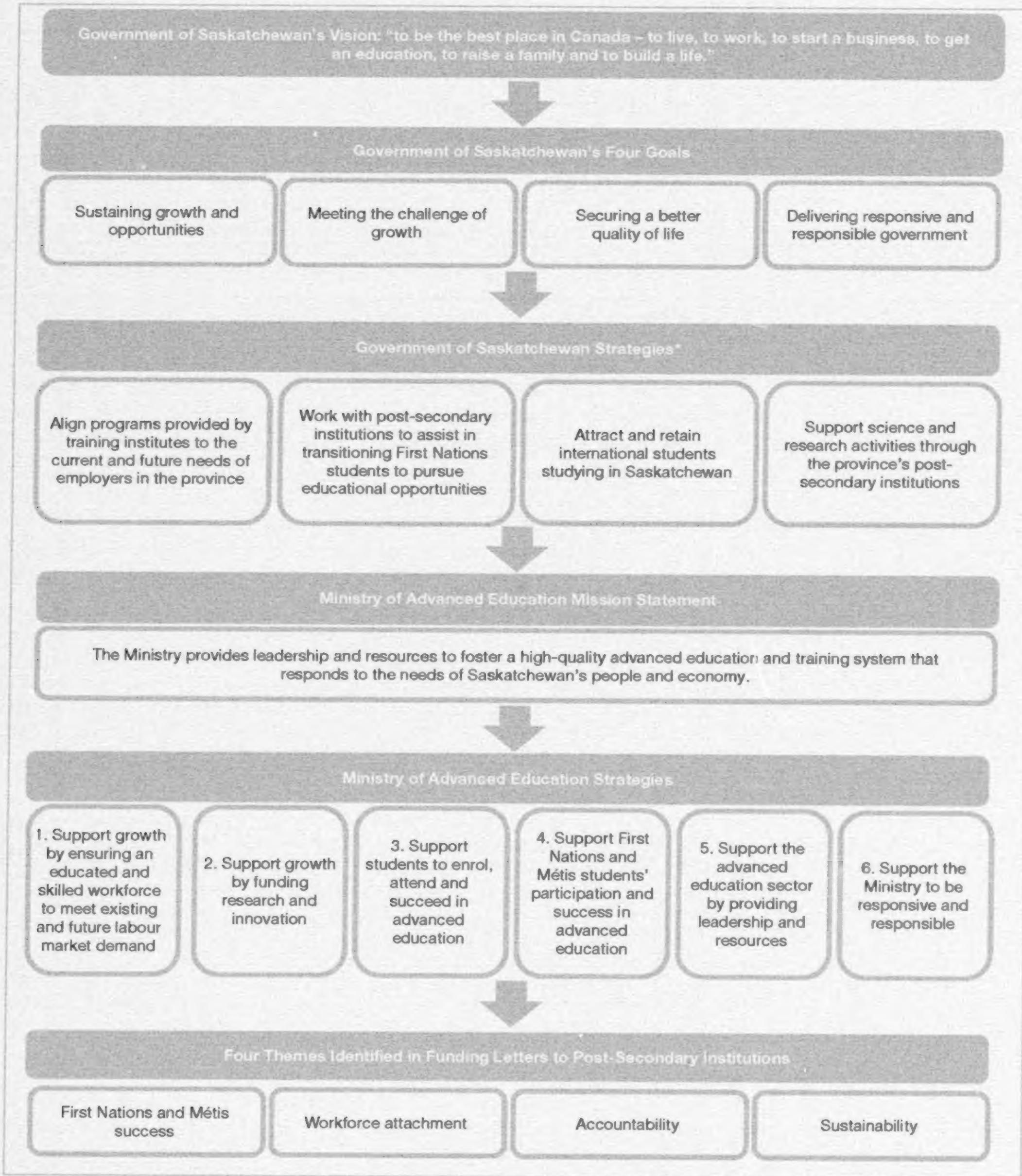
[16] *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, p. 39.

5.0 EXHIBITS

5.1 Vision, Goals, Mission, and Strategies



Government of Saskatchewan's Vision: "to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Government of Saskatchewan's Four Goals

- Sustaining growth and opportunities
- Meeting the challenge of growth
- Securing a better quality of life
- Delivering responsive and responsible government

Government of Saskatchewan Strategies*

- Align programs provided by training institutes to the current and future needs of employers in the province
- Work with post-secondary institutions to assist in transitioning First Nations students to pursue educational opportunities
- Attract and retain international students studying in Saskatchewan
- Support science and research activities through the province's post-secondary institutions

Ministry of Advanced Education Mission Statement

The Ministry provides leadership and resources to foster a high-quality advanced education and training system that responds to the needs of Saskatchewan's people and economy.

Ministry of Advanced Education Strategies

1. Support growth by ensuring an educated and skilled workforce to meet existing and future labour market demand
2. Support growth by funding research and innovation
3. Support students to enrol, attend and succeed in advanced education
4. Support First Nations and Métis students' participation and success in advanced education
5. Support the advanced education sector by providing leadership and resources
6. Support the Ministry to be responsive and responsible

Four Themes Identified in Funding Letters to Post-Secondary Institutions

- First Nations and Métis success
- Workforce attachment
- Accountability
- Sustainability

Source: Developed by Provincial Auditor of Saskatchewan based on the *Ministry of Advanced Education Plan for 2014-15*, p. 2-4 and the *Saskatchewan Plan for Growth–Vision 2020 and Beyond.*

* The provincial government's strategies for the advanced education sector, as set out in the *Saskatchewan Plan for Growth–Vision 2020 and Beyond.*

5.2 Post-Secondary Institutions and Ministry Relationships

Post-Secondary Institution	Fiscal Year-End	Government Representation on Board	2014-15 Ministry Funding [a] (in thousands)	Annual Business Plan or Equivalent	Annual Operating Forecast [b]	Gov't Funding as % of Total Revenue [c]
Post-Secondary Institutions that are part of the provincial government (shaded portion)						
Sask Polytechnic (formerly SIAST)	June 30	Yes – All members of board appointed by Cabinet	150,497	Yes for Ministry approval	Yes for Ministry approval	77%
Carlton Trail College	June 30	Yes – All members of board appointed by Cabinet	2,506	Yes for Ministry approval	Yes for Ministry approval	69%
Cumberland College	June 30	Yes – All members of board appointed by Cabinet	2,540	Yes for Ministry approval	Yes for Ministry approval	78%
Great Plains College	June 30	Yes – All members of board appointed by Cabinet	5,164	Yes for Ministry approval	Yes for Ministry approval	72%
Northlands College	June 30	Yes – All members of board appointed by Cabinet	6,736	Yes for Ministry approval	Yes for Ministry approval	72%
North West College	June 30	Yes – All members of board appointed by Cabinet	4,729	Yes for Ministry approval	Yes for Ministry approval	74%
Southeast College	June 30	Yes – All members of board appointed by Cabinet	4,595	Yes for Ministry approval	Yes for Ministry approval	68%
Parkland College	June 30	Yes – All members of board appointed by Cabinet	7,975	Yes for Ministry approval	Yes for Ministry approval	52%
Other Post-Secondary Institutions						
Lakeland College [d]	June 30	Yes – All members of board appointed by Cabinet	99	Not required	Not required	Not available
Universities						
University of Saskatchewan	April 30	Yes – 5 out of 11 Board members appointed by Cabinet	356,643	Not required	Yes for Ministry information	49%
University of Regina	April 30	Yes – 5 out of 11 Board members appointed by Cabinet	109,387	Not required	Yes for Ministry information	46%
Affiliated and Federated Colleges						
Campion College	April 30	No	3,830	Not required	Yes for Ministry information	56%
Luther College – Federated	June 30	No	3,768[e]	Not required	Yes for Ministry information	42%
St. Thomas More College	April 30	No	6,876	Not required	Yes for Ministry information	55%
First Nations University of Canada	March 31	No	3,755[e]	Not required	Yes for Ministry information	21%
St. Peter's College	April 30	No	1,161	Not required	Yes for Ministry information	61%
Briercrest College & Seminary	June 30	No	211	Not required	Not required	5%
College of Emmanuel & St. Chad	June 30	No	66	Not required	Not required	17%
Horizon College and Seminary	April 30	No	154	Not required	Not required	13%
Lutheran Theological Seminary	June 30	No	228	Not required	Not required	11%
St. Andrew's College	June 30	No	116	Not required	Not required	6%

Post-Secondary Institution	Fiscal Year-End	Government Representation on Board	2014-15 Ministry Funding [a] (in thousands)	Annual Business Plan or Equivalent	Annual Operating Forecast [b]	Gov't Funding as % of Total Revenue [c]
Aboriginal and Northern Education Institutions						
Saskatchewan Indian Institute of Technologies (SIIT)	June 30	No	1,548[e]	Yes for Ministry Information	Yes for Ministry information	35%
Gabriel Dumont Institute of Native Studies and Applied Research [f]	March 31	No	8,136[e]	Not required	Yes for Ministry information	76%
Dumont Technical Institute (DTI) [f]	June 30	No		Yes for Ministry information	Yes for Ministry information	63%
NORTEP/NORPAC [g]	March 31	No	3,374	Not required	Yes for Ministry information	71%
Private Vocational Schools	Not available	No – Ministry is the regulator	Not applicable	Not required	Not required	Not applicable

Source: Developed by Provincial Auditor of Saskatchewan. The post-secondary institutions in blue-shaded cells are directly part of the Government of Saskatchewan. Their financial results are included in the Government of Saskatchewan Summary Plan and Summary Financial Statements.

[a] Amounts obtained from Ministry funding letters as published on its website or from the institution's annual financial statements or annual reports as published on the institution website.

[b] Note that some institutions may provide more information with their operations forecast than what was requested by the Ministry.

[c] Percentage calculated based on revenues from the Government of Saskatchewan divided by total revenues for the year, as reported by each institution in its annual financial statements. Amounts for affiliated and federated colleges, and for NORTEP/NORPAC, are as provided by the Ministry.

[d] Lakeland College is Canada's only interprovincial college. It operates under the authority of the *Post-Secondary Learning Act* of the Province of Alberta.

[e] This is the most recent financial information publicly available for these institutions at the time of audit.

[f] Note that GDI group of companies includes Gabriel Dumont Institute (GDI), Dumont Technical Institute (DTI), Gabriel Dumont College and Gabriel Dumont Scholarship Foundation. The Ministry provides funding to GDI and DTI, which have different year-ends.

[g] Northern Teacher Education Program (NORTEP), Northern Professional Access College (NORPAC).

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Chapter 8
Economy—Coordinating English-Language Programs

1.0 MAIN POINTS

The Ministry of the Economy (Ministry) is responsible for attracting immigrants[1] to the province, and for assisting and facilitating their settlement[2] and integration into Saskatchewan communities and workplaces. The ability to understand and speak English is integral for immigrants to become self-sufficient in Saskatchewan. It is important that the Ministry coordinates English-language programs so that Saskatchewan immigrants can secure jobs and contribute to the province's economy.

This chapter sets out the results of our audit of the Ministry's processes for coordinating English-language programs that assist in employment and settlement of recent immigrants over the age of 18 in Saskatchewan. It includes five recommendations to assist the Ministry in improving its processes for coordinating these programs.

The Ministry needs to improve its oversight of provincially-funded English-language programs to ensure that they are performing and delivering as expected. While the Ministry receives performance reports on student progress in English-language programs, it has not assessed whether all of the agencies providing the programs are meeting the Ministry's expectations.

In addition, the Ministry lacks information about federally-funded English-language programs in the province. This information would help the Ministry conduct a system-wide assessment of the programs offered in Saskatchewan, which would help it make decisions about the nature, extent, and location of provincially-funded programs.

2.0 INTRODUCTION

The Ministry of the Economy Regulations, 2014 gives the Ministry responsibility for facilitating the integration of immigrants into Saskatchewan's economy. This includes the responsibilities for:

- Attracting immigrants to the province to contribute to the economy and to meet labour market needs for employers
- Assisting immigrants and refugees in settling and integrating in Saskatchewan communities and workplaces
- Facilitating the acceptance and reception of immigrants and refugees in Saskatchewan communities and workplaces

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[1] Immigrants include all residents who were not born in Canada. There are two types of these residents: non-permanent and permanent residents. Non-permanent residents include temporary residents and international students.
[2] Settlement is the integration of immigrants into society, including creating community connections and labour market access www.cic.gc.ca/english/pdf/cfp/cfp-guide2-2011.pdf (3 March 2015).

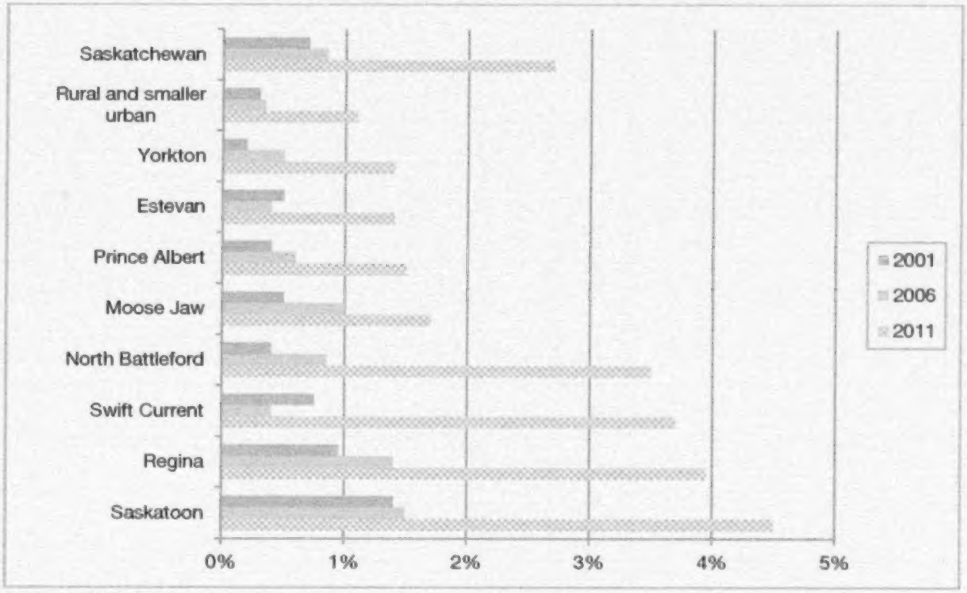
In its *Plan for 2014-15*, the Ministry has identified attracting and retaining skilled and knowledgeable workers from across Canada and around the world as a priority.[3] The Plan notes that the Ministry should:

- Work with the Government of Canada to increase permanent immigration to Canada
- Increase settlement support services such as language training to assist in the attraction and retention of new Canadians to Saskatchewan[4]

2.1 Immigrants as Source of Labour Supply

As part of Saskatchewan's workforce strategy, the Government has anticipated the need for an increase in workers. It has identified workers from other countries as a source of the province's future labour supply to replace the portion of Saskatchewan's population who are retiring from the workforce, and to address anticipated labour force growth.[5] Saskatchewan's unemployment rate in 2014 was the lowest in Canada at 3.8%.[6] The national unemployment rate was 6.9%.[7]

Figure 1—Recent Immigrants (in Canada for Less Than Five Years), 2001 to 2011



Source: *Sask Trends Monitor*, April 2014.

As shown in **Figure 1**, Saskatchewan's recent immigrant population has increased as a percentage of total population from approximately 0.85% in 2001 to approximately 2.7% in 2011.[8] From 2006 to 2011, the proportion of Saskatchewan city populations who are recent immigrants has grown from 1.2% in 2006 to 3.7% in 2011.[9] In 2011, there were approximately 31,000 immigrants in Saskatchewan's labour force[10] (8.9% of the total labour force).[11] This is an increase of 53% from 2008, when approximately 20,200 immigrants were in the labour force (5.9% of the total labour force).[12] According to the 2011 census, 7.6% (approximately 77,000) of Saskatchewan's population were immigrants.

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[3] www.finance.gov.sk.ca/PlanningandReporting/2014-15/EconomyPlan1415.pdf p. 6 (27 October 2014).
[4] Ibid.
[5] *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, p. 18.
[6] www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labor07c-eng.htm (9 March 2015).
[7] Ibid.
[8] www.sasktrends.ca/State of the Cities Report JSGS.pdf p. 32 (29 October 2014).
[9] Ibid.

New or recent immigrants are commonly referred to as "newcomers". For newcomers to the province to become self-sufficient, they must be able to understand and speak English. Without these language skills, newcomers face significant challenges in integrating into Canadian society, attending post-secondary education or finding suitable employment. English-language skills are important for immigrants to secure jobs and contribute to the province's economy.

2.2 Funding for English-Language Programs

The overall goal of English-language programs is to help new immigrants integrate into Saskatchewan life and secure employment. Both federally- and provincially-funded English-language programs for immigrants exist in Saskatchewan to give immigrants over the age of 18 the opportunity to gain or improve their English-language skills. These programs are provided at no charge to immigrants.

Most of these programs focus on new immigrants over the age of 18, as students younger than age 18 can attend "English as an Additional Language" (EAL) classes in their elementary or high school. EAL classes for students younger than 18 are funded through the provincial Kindergarten to Grade 12 system which is the responsibility of the Ministry of Education.

Under the *Canada-Saskatchewan Immigration Agreement, 2005*, the federal government (through Citizenship and Immigration Canada) provides programs, such as English-language programs, designed to help settle and integrate immigrants who are *permanent* residents[13] in Saskatchewan.[14] Information on the amount of federal funding specifically for English-language programs is not readily available. The federal government provides funding to:

- Community-based organizations (e.g., the Regina Open Door Society and the Saskatoon Open Door Society)
- Regional colleges (e.g., Great Plains College, Southeast College)
- Saskatchewan Polytechnic (SaskPoly) – the English-language program at SaskPoly is called Language Instruction for Newcomers to Canada (LINC).[15] The LINC program is available only to immigrants who are *permanent* residents of Canada

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[10] Labour force includes individuals aged 25-54 www.statcan.gc.ca/pub/71-606-x/71-606-x2012006-eng.pdf (5 February 2015).

[11] www.statcan.gc.ca/pub/71-606-x/71-606-x2012006-eng.pdf p.47 (5 February 2015).

[12] Ibid., p. 45.

[13] A permanent resident in Canada is someone who is not a Canadian citizen but has been granted permission to live and work in Canada without any time limit on their stay. A permanent resident must live in Canada for two of every five years or risk losing his or her permanent resident status.

[14] www.cic.gc.ca/english/department/laws-policy/agreements/sask/sask-agree-2005.asp (2 February 2015).

[15] The federal government has entered into a contract with Saskatchewan Polytechnic to provide the LINC program to permanent residents in Saskatchewan. The federal government monitors the delivery of this program under the terms of the contract.

with the purpose of facilitating social, cultural, and economic integration into Canadian society.[16]

The Ministry funds English-language programs for immigrants who do not qualify for federally-funded programs (e.g., non-permanent residents), and programs that target certain types of training that the federal government does not provide (e.g., English for Employment). During 2014, the Ministry funded three English-language programs and piloted two new programs (see **Figure 2**). It engaged non-government agencies (e.g., Regina Open Door Society, Saskatoon Open Door Society, Ukrainian Canadian Congress Saskatoon Branch, Moose Jaw Multicultural Council) and regional colleges to deliver these programs.

In 2013-14, the Ministry provided about $2.4 million (comprised of $1.7 million[17] to various non-government agencies and $660 thousand[18] to regional colleges) for English-language programming and expects to provide similar funding in 2014-15. This includes programs jointly funded with the federal government such as English-language assessments.

Figure 2—Ministry of the Economy English-Language Programs

Stage 1 English: This program provides foundational language skills that assist in the settlement of immigrants in Saskatchewan and is focused on training immigrants assessed at Canadian Language Benchmark (CLB) levels one to four. This program began in 2009.

Stage 2 English: This program assists immigrants who are assessed at CLB levels five to six to participate more fully in social, educational and work-related settings. This program was piloted in 2014.

Advanced Language Training: This program provides English-language training to immigrants who are assessed at CLB levels seven to eight. This program was piloted in Saskatoon in 2014.

English for Employment: This program assists immigrants assessed at CLB levels three to six in developing the English-language skills required to meet employment-related needs. This program began in 2010.

English as a Second Language (ESL) training at regional colleges: In rural areas, regional colleges deliver English-language training similar to the Stage 1 and Stage 2 English programs. This program began in 2009.

Source: Adapted from information provided by the Ministry of the Economy.

The Ministry and the federal government have similar policies that require immigrants who want to attend an English-language program to obtain a language assessment using Canadian Language Benchmarks (CLB).[19] They provide non-government agencies, regional colleges, and SaskPoly with funds to deliver programs that give immigrants access to English-language assessments. Such assessments describe each immigrant's reading, writing, listening, and speaking ability and use the 12 CLB benchmarks.

2.3 Responsibility for English-Language Programs in the Ministry

The Ministry has made its Labour Market Development Division responsible for coordinating English-language programming in the province. As shown in **Figure 3**, the

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[16] www.cic.gc.ca/english/resources/evaluation/linc/2010/linc-eval.pdf (28 January 2015).
[17] Per briefing note provided by Ministry officials.
[18] Order in Council 352/2013 – funding to regional colleges for "English as a second language".
[19] Canadian Language Benchmarks are recognized as the official Canadian standards for describing, measuring, and recognizing the language proficiency of adult immigrants and prospective immigrants in both English and French.

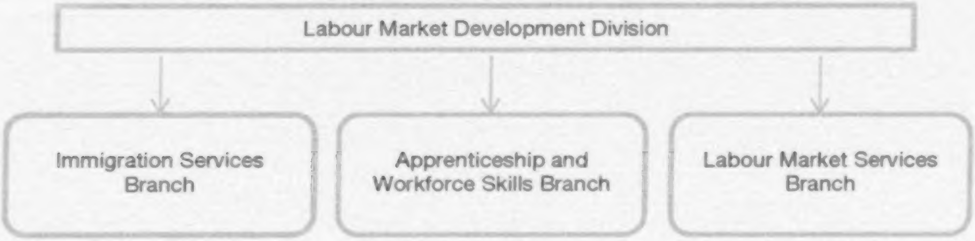
Division has divided the coordination of English-language programs amongst three branches.

The Immigration Services Branch is responsible for outlining the related policies, including policies applicable to regional colleges for English-language programs, and determining the need for English-language programs and subsequent funding.

The Apprenticeship and Workforce Skills Branch is responsible for facilitating communication of grant funding to regional colleges.

The Labour Market Services Branch is responsible for managing the contracts with non-government agencies who deliver provincially-funded English-language programs.

Figure 3—Ministry of the Economy: Labour Market Development Division


Labour Market Development Division
Immigration Services Branch
Apprenticeship and Workforce Skills Branch
Labour Market Services Branch

Source: Adapted from information provided by the Ministry of the Economy.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of the Economy had effective processes for coordinating English-language programs that assist in employment and settlement of recent immigrants over the age of 18 in Saskatchewan. We examined the processes the Ministry used for the 12-month period ending December 31, 2014.

For the purpose of this audit, English-language programs are those programs that provide training to recent immigrants over the age of 18 to become proficient in English in order to secure employment.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Management agreed with the criteria (see **Figure 4**).

We examined the Ministry's documents, policies, and processes that relate to coordinating English-language programs for recent immigrants over the age of 18 in Saskatchewan. We interviewed management responsible for coordinating English-language programs. We reviewed contracts, grant funding, and other relevant documents that relate to English-language programs to determine whether the Ministry followed its processes.

Figure 4—Audit Criteria

Effective processes for coordinating English-language programs that assist in employment and settlement of recent immigrants over the age of 18 include:

1. **Forecast needs for English-language programs**
   1.1 Determine English-language program needs (e.g., numbers of immigrants with English-language training needs, levels and nature of needs, location)
   1.2 Identify existing programs available (e.g., programs delivered by federal government, by other provincial agencies, by the Ministry, by immigrant agencies)
   1.3 Analyze the gap between existing program capacity and immigrant needs
2. **Implement a system-wide strategy for English-language programs**
   2.1 Set English-language program objectives (e.g., key success factors)
   2.2 Consult with agencies for program delivery
   2.3 Require use of consistent method to assess English-language skills (e.g., Canadian Language Benchmarks)
   2.4 Facilitate communication to immigrants of English-language program options available
   2.5 Obtain program resources (e.g., contracts)
3. **Monitor delivery of the English-language programs**
   3.1 Assess key success factors of the programs
   3.2 Assess delivery of programs (e.g., contracts)
   3.3 Analyze and adjust programs
   3.4 Communicate results (i.e., internal and external)

We concluded that, for the 12-month period ended December 31, 2014, the Ministry of the Economy had, other than for the following matters, effective processes for coordinating English-language programs that assist in employment and settlement of recent immigrants over the age of 18 in Saskatchewan. The Ministry needs to:

- **Develop a formal methodology, including regional analysis, for assessing the demand for English-language program needs**
- **Obtain information on federally-funded English-language programs to facilitate decisions on the nature and location of provincially-funded English-language programs**
- **Select specific and measurable targets related to performance indicators for its English-language programs to monitor the effectiveness of program delivery**
- **Sign agreements with regional colleges that provide English-language programs for the delivery of those programs**
- **Formally assess whether regional colleges that deliver English-language programs comply with the expectations as set out in its Regional Colleges' Policy Manual**

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to the audit criteria in **Figure 4**. In this section, we refer to non-government agencies and regional colleges who deliver provincially-funded English-language programs as "agencies it funds".

4.1 Forecast Needs for English-Language Programs

4.1.1 Methodology for Needs Assessment Not Documented

We expected that the Ministry would determine English-language program needs. This would include identifying the current and future trends in the number of immigrants with English-language training needs, the levels and nature of those needs, and the physical location in Saskatchewan where the needs occur. We also expected the Ministry to identify existing programs available in Saskatchewan and who delivers those programs.

We found that the Ministry uses an informal process to determine the need for English-language programs.

To determine the general needs of immigrants and where the majority of immigrants settle, each quarter the Ministry obtains and analyzes data from Citizenship and Immigration Canada on various topics. This includes immigration to Saskatchewan by gender, age, source region and country of birth, destination in Saskatchewan, occupation, education level, mother tongue, and official language ability of immigrants aged 15 years and up. It periodically makes a summary of this information publicly available when authorized to do so by Citizenship and Immigration Canada.[20] The last statistical report publicly available at December 2014 was for 2011.

The Ministry tracks where all adult English-language programs are currently offered in Saskatchewan. This includes all provincially- and federally-funded English-language programs. It makes this information publicly available on an interactive map on its website.[21] To make this information accessible to immigrants, the section of the Ministry's website on English-language programs is available in 23 languages other than English.[22]

We found the Ministry considers the number of immigrants on waiting lists for provincially-funded programs and annually discusses demand for training seats[23] (number, location) with agencies it funds. It discusses with the federal government the number of permanent residents on waitlists for federally-funded English-language programs. The Ministry also obtains some information from SaskPoly on the federally-funded English-language programs SaskPoly delivers. For example, SaskPoly advised the Ministry that it foresaw an increased demand for English-language training above CLB level four from permanent residents in the LINC program (see **Section 4.1.2**).

Each quarter, the Ministry receives performance data (e.g., attendance, number of immigrants that have met their learning goals, class utilization statistics) from the agencies it funds. It uses this data to monitor provincially-funded programs.

Also, each quarter, the Ministry obtains information about the utilization of provincially-funded programs. While it receives similar information from regional colleges on jointly-funded programs, we found that it does not receive similar information on federally-funded English-language programs in the province. Although the *Canada-Saskatchewan Immigration Agreement, 2005* (section 6.1) includes provisions for Canada to provide

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[20] www.economy.gov.sk.ca/immigration/saskatchewan-immigration-data-and-trends (2 February 2015).
[21] www.saskatchewan.ca/live/moving-to-saskatchewan/immigrating/find-immigration-services-near-you (2 February 2015).
[22] www.economy.gov.sk.ca/immigration/information-in-various-languages/ (2 February 2015).
[23] A training seat is a place available in a classroom session for an individual to receive English-language training.

Saskatchewan with information to aid the province in planning and program delivery, at December 2014, the Ministry had not asked the federal government for information on federally-funded English-language programs. See **Section 4.1.2** for further discussion.

In 2009, when the Ministry began funding Stage 1 English programming, it created a methodology to analyze and decide the number of training seats needed. This methodology uses assumptions such as estimated number of immigrants coming to the province, locations in which immigrants traditionally settle and reside, and past uptake for provincially-funded programs based on language levels. However, it has not updated this methodology since 2009 or tested the validity of its assumptions or the process.

Also, the Ministry has not documented methodologies to collect and analyze regional information for determining the number of training seats needed for English-language programs (see **Figure 2** for listing of provincially-funded programs).

Given that the Ministry involves three different branches in the coordination of English-language programs (see **Figure 3**), documented methodologies would help ensure staff understand the processes the Ministry uses to forecast needs for English-language programs. Documenting its processes and methodology will help facilitate the transfer of knowledge and provide the basis for funding decisions.

A lack of documented methodologies increases the risk that English-language program needs may be inconsistently analyzed each year, or regional English-language program needs may not be met. Also, a lack of periodic reviews of existing methodologies increases the risk of using inaccurate or ineffective processes and missing opportunities to make refinements.

1. **We recommend that the Ministry of the Economy develop a formal methodology, including regional analysis, for assessing the demand for English-language program needs.**

4.1.2 English-Language Program Gap Analysis Limited

We expected the Ministry to analyze annually the gap between existing English-language program capacity (for federally-, provincially-, and jointly-funded programs) and the English-language program needs of immigrants. Such an analysis would help avoid duplication or overlap with federally-funded programs, and identify adjustments to provincially-funded programs so that they complement and/or supplement federally-funded programs.

We found the Ministry's gap analysis focuses primarily on provincially-funded programs. It reviews past uptake of provincially-funded language programs to help determine the adequacy of the number of provincially-funded training seats and their locations for the upcoming year.

In order to estimate the need for new English-language programs for the upcoming year, we found the Ministry consults several sources such as the 2012 national settlement survey.[24] This survey shows that immigrants had difficulty fitting into the appropriate labour market in Saskatchewan because they needed a higher level of English-language proficiency. Similarly, through SaskPoly, the Ministry was aware of an increasing demand from permanent residents for English-language programs above CLB level four. In response to this gap in English-language programs, starting in 2014, the Ministry began providing non-government agencies with funding for Stage 2 English and Advanced Language Training programs.

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[24] BC Stats, *A Model of Settlement of Newcomers to Canada: Saskatchewan Results*, (2013).

Federally-funded English-language programs are subject to a program evaluation once every four years. The Ministry indicated that it had reviewed the last program evaluation available (a 2010 evaluation). The Ministry receives information on program utilization from regional colleges on jointly-funded English-language programs. It receives limited information from SaskPoly and other agencies that deliver federally-funded English-language programs. However, as described in **Section 4.1.1**, the *Canada-Saskatchewan Immigration Agreement, 2005* includes provisions for Canada to provide Saskatchewan with information to aid the province in planning and program delivery. The Ministry does not receive utilization information on federally-funded English-language programs, and does not know if these programs are meeting the needs of immigrants who are permanent residents.

Without obtaining relevant information such as utilization reports or future funding levels of federally-funded programs, the Ministry is unable to assess whether additional or supplemental provincially-funded English-language programs are needed and where. Further, the Ministry does not have all of the relevant information necessary to conduct a system-wide assessment of English-language programs offered throughout the province. The Ministry needs this system-wide information in order to make decisions about the nature, extent, and location of provincially-funded English-language programs.

2. **We recommend that the Ministry of the Economy obtain information on federally-funded English-language programs to facilitate decisions on the nature and location of provincially-funded English-language programs.**

4.2 Implement a System-Wide Strategy for English-Language Programs

4.2.1 Strategy Incomplete and Performance Targets Not Yet Set

We expected that the Ministry would set English-language program objectives (e.g., key success factors) and appropriate and measurable performance targets.

We found that the Ministry developed a performance measurement framework in 2013 for provincially-funded English-language programs. This framework includes:

- Program objectives (e.g., immigrants are connected and active participants in social and economic networks and the broader community)

- Desired outcomes (i.e., expected results that the programs are to achieve) (e.g., that individuals have the skills needed to independently perform day-to-day interactions)

- Performance indicators to measure or gauge success in achieving desired outcomes (e.g., percentage of individuals that have improved their language skills)

- Performance measurement strategies for each of its English-language programs (e.g., Stage 1 English, English for Employment)

However, the Ministry had not yet developed targets (i.e., specific, measureable goals) for its performance indicators. The Ministry's performance measurement strategies include its strategic outcomes, indicators, and how it will measure them. However, as discussed in **Section 4.1.2**, the Ministry has not conducted a system-wide assessment of English-language programs offered throughout the province. As a result, it does not fully consider the outcomes and impact of federally-funded English-language programs in the development of its performance measurement strategies. See **Recommendation 2**.

We found that the Ministry bases its indicators on accepted practices. Its indicators included the number of hours students spent in real-life learning opportunities, identification and fulfillment of students' learning goals, and percentage of students who had improved their language skills (e.g., reading, writing, speaking).

Also, the Ministry participates in the Federal-Provincial-Territorial Language Training Forum, which is a venue for various levels of government to share best practices related to adult English-language programming. The Ministry indicated that its performance measures align with the performance measures used by the federal government and other provinces to monitor their English-language programs.

However, at December 2014, the Ministry had not yet set performance measure targets for its various English-language programs. Setting targets helps agencies decide how much they plan to achieve by when. This in turn helps agencies determine the necessary resources to deliver a program.

Lack of specific and measurable targets for each of its performance indicators for its English-language programs increases the risk that problems will not be identified and the programs not appropriately resourced (either too many or too few resources). This, in turn, could result in Saskatchewan immigrants not acquiring the English-language skills necessary to enable them to contribute productively to the Saskatchewan workforce.

3. **We recommend that the Ministry of the Economy select specific and measurable targets related to performance indicators for its English-language programs to monitor the effectiveness of delivery of the programs.**

The Ministry advised us that it is planning to set targets for its performance indicators in 2015. It noted that it will use the programs' performance data gathered in 2013-14 and 2014-15 to help set reasonable targets for 2015-16.

4.2.2 Consults on Needs and Obtains Resources to Deliver English-Language Programs

We expected that the Ministry would consult with agencies delivering English-language programs to obtain information on immigrant needs. It would secure resources to deliver programs thus filling the gap between federal English-language offerings and the needs of new immigrants. The Ministry would require the use of a consistent method to assess English-language skills. The Ministry would facilitate communication to immigrants on the English-language program options available to them.

Since both the federal government and the Ministry fund English-language programs, the Ministry communicates with the federal government and the agencies it funds each year to determine the number of available training seats and related provincial funding. Also, the Ministry considers the past performance data of provincially-funded programs and estimates the number of individuals requiring language assessments[25] in each location. It provides funding to regional colleges to deliver English-language programs in rural areas and smaller urban centres (e.g., Swift Current, Yorkton) and to non-government agencies to deliver English-language programs in larger urban centres (e.g., Regina, Moose Jaw).

We found the Ministry uses two different ways to set out its expectations for agencies it funds – one for regional colleges and one for non-government agencies.

The Ministry sets outs its expectations for English-language programs delivered by regional colleges in the Ministry's *Regional Colleges' Policy Manual for English-language programs* (Manual). The Ministry developed the Manual in conjunction with the regional colleges. The Ministry provides regional colleges with the Manual via a file-sharing website.[26] The Manual describes the elements of the program, the performance measurement strategy framework, and the responsibilities of the regional colleges and the Ministry. However, the Ministry and the regional colleges that deliver English-language programs do not have a formal arrangement (e.g., a contract) that binds the regional colleges to meeting the expectations set out in the Manual. Lack of a written agreement increases the risk that regional colleges may not deliver English-language programs as expected by the Ministry.

4. **We recommend that the Ministry of the Economy sign agreements for the delivery of English-language programs with regional colleges that deliver those programs.**

The Ministry also did not include in the Manual specific targets for regional colleges that set out what the Ministry expects the regional colleges to achieve and by when. As noted in **Section 4.2.1**, the Ministry has not yet set performance targets for its English-language programs.

The Ministry uses contracts with non-government agencies that provide English-language programs to set out its expectations for English-language programs. For the contracts we tested, we found the contracts clearly outlined the responsibilities of each party. The contracts also included reporting requirements that aligned with the performance measures in the Ministry's performance measurement framework. The Ministry also consults with these non-government agencies annually when new contracts are signed or when it is considering offering new English-language programs.

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[25] Language assessments evaluate an individual's language proficiency in reading, writing, speaking, and listening, in accordance with Canadian Language Benchmarks.

[26] Both regional college administrators and Ministry staff can use this file-sharing website.

Both the Ministry and the federal government require the agencies they fund to re-assess the language proficiency of students (i.e., CLB assessment) in English-language programs while the students are in a program. We found that these agencies, for provincially-funded programs, provided the Ministry with quarterly reports on the progress of students' language skills, as required.

The Ministry uses its website as one of the primary sources of information for immigrants to access information about English-language programs and their availability. As previously noted, the section of the Ministry's website on English-language programs is available in 23 languages other than English. Its website sets out who to contact for language assessments and how to reach them. It includes links to "Learning English" and details how to contact non-government agencies, regional colleges, or SaskPoly for English-language program options.

In addition to the website, the Ministry also communicates English-language program options to non-government agencies that immigrants are most likely to contact for information (e.g., Regional Newcomer Gateways).[27]

4.3 Monitor Delivery of the English-Language Programs

4.3.1 Need to Assess Program Expectations

We expected that the Ministry would assess the key success factors (English-language program objectives) and the impacts and outcomes achieved through the delivery of English-language programs. We also expected that the Ministry would use its analysis of programs to adjust English-language programs.

The Ministry uses its performance measurement framework and strategies, described in **Section 4.2.1**, to evaluate the success of its English-language programs in Saskatchewan.

We found the Ministry's processes to assess the performance of non-government agencies and regional colleges also differed.

For non-government agencies, the Ministry requires that it assess whether each non-government agency fulfilled the Ministry's expectations set out in contracts. The Ministry's processes require that it conduct at least one interim financial review (e.g., monitor to determine whether costs incurred were allowed under the contract), at least one activity review (e.g., verify the program was run), and a final review (e.g., verify that key deliverables outlined in the contract were completed). For the contracts of non-government agencies we tested, we found that the Ministry completed this monitoring when required, and did not identify any significant compliance or performance issues.

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[27] Saskatchewan has 11 Regional Newcomer Gateways where immigrants can access information, assessments, settlement advisors, and other supports to help them make the transition to life in Saskatchewan.

For regional colleges, we found that the Ministry had not formally assessed whether the regional colleges were meeting the Ministry's expectations as set out in the Manual. If the Ministry does not monitor and assess whether the regional colleges' English-language programs are meeting the Ministry's expectations, it does not know if its funding of approximately $660 thousand annually for these programs is achieving the results it expects.

5. **We recommend that the Ministry of the Economy formally assess whether regional colleges that deliver English-language programs meet its expectations as set out in its Regional Colleges' policy manual.**

As part of its performance measurement strategy, the Ministry indicated that it expects to evaluate the regional college English-language program in 2015-16.

We found that the Ministry uses its analysis to make adjustments to its programs. As described in **Section 4.1.2**, the Ministry arranged for two new English-language programs to be offered in 2014. The Ministry also arranged for the adjustment of class times for some programs in order to accommodate students who were employed.

As previously noted, each quarter the Ministry obtains performance reports (e.g., students' CLB progress and learning goals fulfilled) from agencies it funds. For 2013-14, the Ministry compiled this reporting information by program into an annual internal performance report. The report summarizes data, trends, and highlights key indicators and outcomes (e.g., number of self-identified learning goals fulfilled, improvements in CLB levels) included in the performance measurement strategies for the Ministry's English-language programs. The Ministry distributes this report to its branches within the Labour Market Development Division (see **Figure 3**). Because it does not have performance targets, as noted in **Section 4.2.1**, the report does not show whether the Ministry's progress meets its expectations.

As recommended in **Section 4.2.1**, the Ministry needs to set specific and measurable targets related to performance indicators for its English-language programs to determine whether its progress meets its expectations.

4.3.2 Identified Results Communicated

We expected that the Ministry would communicate the results of English-language programs to key stakeholders. Key stakeholders would include non-government agencies, regional colleges, and the public.

We saw evidence that the Ministry communicated the results of its English-language programs to stakeholders that it had identified in its analysis. For example, it shared the annual results of specific program data (e.g., Stage 1 English) with the non-government agencies that deliver those programs. The results included the attendance levels, number of immigrants with improved English skills, and the number of hours each class spent in real-life learning opportunities for each agency.

Periodically, the Ministry uses conferences or forums to share its program results. For example, in September 2014, the Ministry presented information about its English-language program outcomes to the participants as part of a provincial conference. The participants in the conference included representatives from Regional Newcomer Gateways, non-government agencies offering English-language programs, SaskPoly, and regional colleges.

The Ministry uses regular meetings with non-government agencies and regional colleges to communicate trends from performance reports. It uses its annual report to provide legislators and the public with some information on the Ministry's activities to support the settlement of immigrants. For example, the Ministry's 2013-14 annual report includes information on the number of non-government agencies it funded to provide settlement support services such as English-language programs.

However, current reporting presents limited information on whether the Ministry was successful in achieving its strategic priority of "increasing permanent immigration to Canada" and "increasing settlement support to assist in the attraction and retention of new Canadians to Saskatchewan."[28] Setting and using targets will enable the Ministry to determine its progress and improve its reports about its English-language programs to the public.

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[28] www.finance.gov.sk.ca/PlanningandReporting/2014-15/EconomyPlan1415.pdf p. 6 (1 April 2015).

Chapter 9
Education—Putting into Operation the Education Sector-Wide Strategic Plan

1.0 MAIN POINTS

The Ministry of Education (Ministry) is responsible for providing leadership and direction to the Prekindergarten through Grade 12 (PreK-12) education sector. This includes providing leadership and coordination for the preparation of goals, objectives, and educational planning for the present and future growth and development of the educational system.

In 2013, the Ministry began to work more closely with its education partners, including the 28 provincial school divisions, to carry out strategic planning. This work resulted in a sector-wide strategic plan for the PreK-12 education sector, called the *Education Sector Strategic Plan* (ESSP). The Ministry intends to use the ESSP to help coordinate and focus the sector's efforts to achieve by June 2020 the ESSP's five long-term outcomes related to student achievement and operational efficiencies. If the Ministry does not have effective processes to put the ESSP into action, it is at greater risk of failing to achieve the ESSP's planned outcomes, along with the associated social and economic benefits.

For the 12-month period ended January 31, 2015, we found that the Ministry had effective processes to put into operation the sector-wide strategic plan for the PreK-12 provincial education sector, except it needs to:

- Review school division action plans supporting achievement of outcomes to coordinate actions across the sector
- Establish a sector deadline for completing action plans supporting achievement of outcomes

We make two recommendations to assist the Ministry in improving its processes to put the ESSP into operation.

2.0 INTRODUCTION

The Ministry's mandate is to provide leadership and direction to the early learning and child care, Kindergarten through Grade 12 education, literacy, and library sectors. The Ministry supports these sectors through funding, governance, and accountability, with a focus on improving student achievement.[1]

In 2013, the Ministry made significant changes to its traditional strategic planning processes. Changes included working more closely with a wide range of education partners, including the 28 provincial school divisions, and using a new strategic planning and management methodology. The result is a sector-wide strategic plan for the Prekindergarten through Grade 12 education (PreK-12) sector, called the *Education Sector Strategic Plan* (ESSP). The Ministry expects that the ESSP "will bring coherence and alignment to the priorities of the Government, the Ministry, the sector, and the classroom."[2]

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[1] Ministry of Education, *2013-14 Annual Report*, p. 3.

This chapter sets out the results of our audit to assess the effectiveness of the Ministry's processes to put into operation the sector-wide strategic plan for the Prekindergarten through Grade 12 provincial education sector.

2.1 Key Responsibilities Assigned by Law

Section 3 of *The Education Act, 1995* (Act) assigns the Ministry responsibility for all matters related to early learning, elementary, and secondary education. The Ministry is expected to provide leadership and coordination in all areas, including the preparation of goals, objectives, and educational planning for the present and future growth and development of the educational system.

The Act makes the Ministry responsible for overseeing school divisions, by working through the elected boards of education (boards) and the directors of education appointed by the boards. One way the Ministry seeks to carry out its responsibility is through the review and approval of school divisions' objectives and programs (Act s.278).

2.2 Overview of Education Sector Strategic Plan

In 2013, the Ministry and school divisions formed the Provincial Leadership Team (PLT) to lead and coordinate the development and implementation of the ESSP. The PLT uses a collaborative approach. It is made up of the Deputy Minister of Education, the Ministry's three Assistant Deputy Ministers, the Director of Education from each of the 28 school divisions, and representatives from the First Nations' school system. The PLT, along with other staff from the Ministry and school divisions, participated in the development of the ESSP.[3] Cabinet and all 28 boards of education approved the ESSP in the spring of 2014. **Figure 1** illustrates the five long-term outcomes within the ESSP that the sector plans to achieve by June 2020.

The Ministry and school divisions have agreed to each develop their own strategic plan, as well as more detailed action plans, that support achievement of the long-term outcomes set out in the ESSP. The Ministry and school divisions have also agreed to monitor achievement of their respective plans, and publicly report their respective results through their annual reports. The Ministry is also responsible for monitoring achievement of the ESSP, which it plans to do collaboratively through the PLT, and publicly report the sector-wide results through its annual report.

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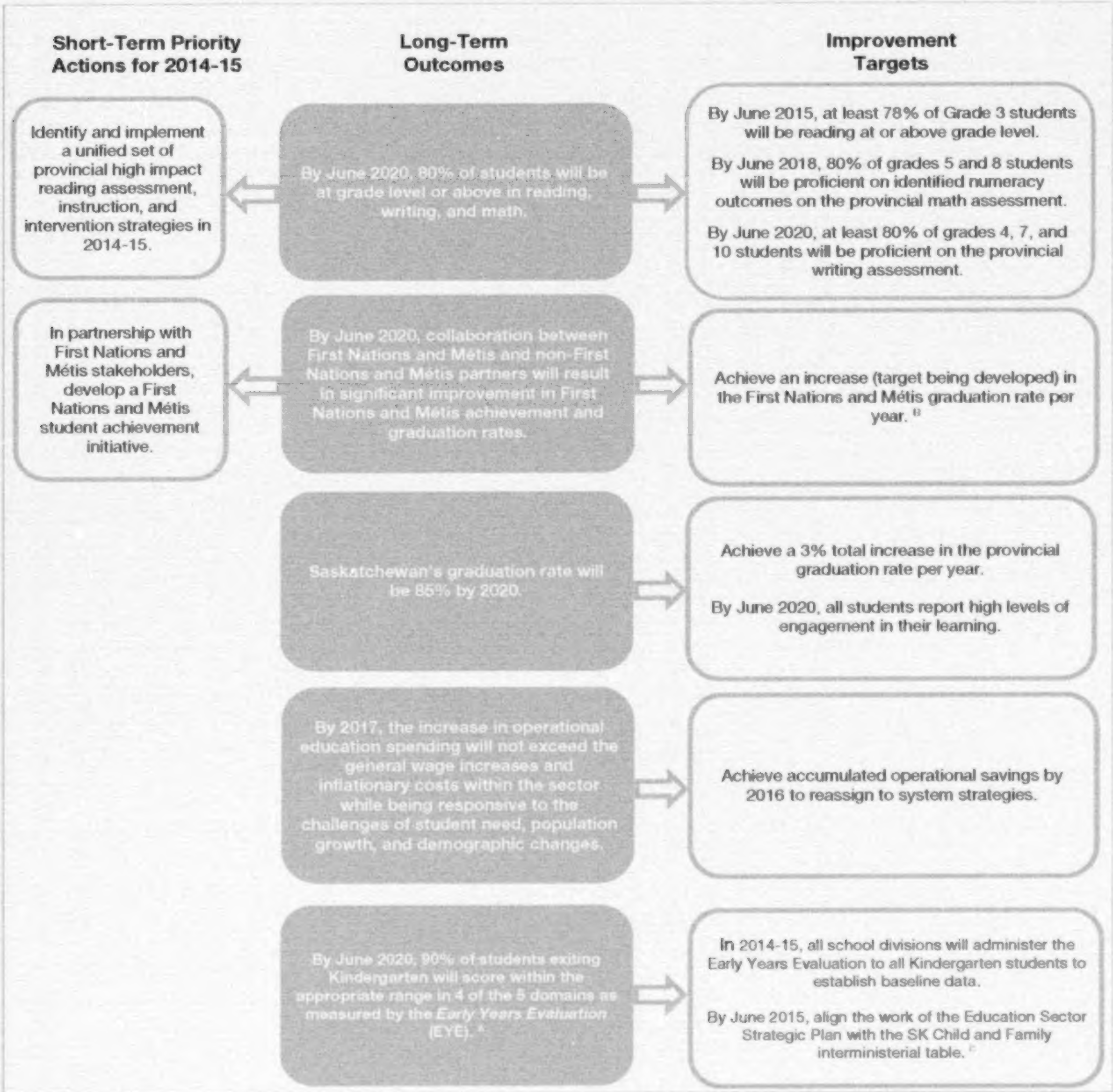
[2] Ministry of Education, *Plan for 2014-15*, p. 1.
[3] Ibid., p. 3.

Figure 1—Education Sector Strategic Plan Long-Term Outcomes



Short-Term Priority Actions for 2014-15	Long-Term Outcomes	Improvement Targets
Identify and implement a unified set of provincial high impact reading assessment, instruction, and intervention strategies in 2014-15.	By June 2020, 80% of students will be at grade level or above in reading, writing, and math.	By June 2015, at least 78% of Grade 3 students will be reading at or above grade level. By June 2018, 80% of grades 5 and 8 students will be proficient on identified numeracy outcomes on the provincial math assessment. By June 2020, at least 80% of grades 4, 7, and 10 students will be proficient on the provincial writing assessment.
In partnership with First Nations and Métis stakeholders, develop a First Nations and Métis student achievement initiative.	By June 2020, collaboration between First Nations and Métis and non-First Nations and Métis partners will result in significant improvement in First Nations and Métis achievement and graduation rates.	Achieve an increase (target being developed) in the First Nations and Métis graduation rate per year. [B]
	Saskatchewan's graduation rate will be 85% by 2020.	Achieve a 3% total increase in the provincial graduation rate per year. By June 2020, all students report high levels of engagement in their learning.
	By 2017, the increase in operational education spending will not exceed the general wage increases and inflationary costs within the sector while being responsive to the challenges of student need, population growth, and demographic changes.	Achieve accumulated operational savings by 2016 to reassign to system strategies.
	By June 2020, 90% of students exiting Kindergarten will score within the appropriate range in 4 of the 5 domains as measured by the *Early Years Evaluation* (EYE). [A]	In 2014-15, all school divisions will administer the Early Years Evaluation to all Kindergarten students to establish baseline data. By June 2015, align the work of the Education Sector Strategic Plan with the SK Child and Family interministerial table. [C]

Source: Adapted from *Ministry of Education, Plan for 2014-15.*

[A] *The Early Years Evaluation* assesses five domains of early learning closely associated with childrens' readiness to learn at school: Awareness of Self and Environment, Social Skills and Approaches to Learning, Cognitive Skills, Language Skills and Communication, and Physical Development.

[B] As of January 31, 2015, this target was under development.

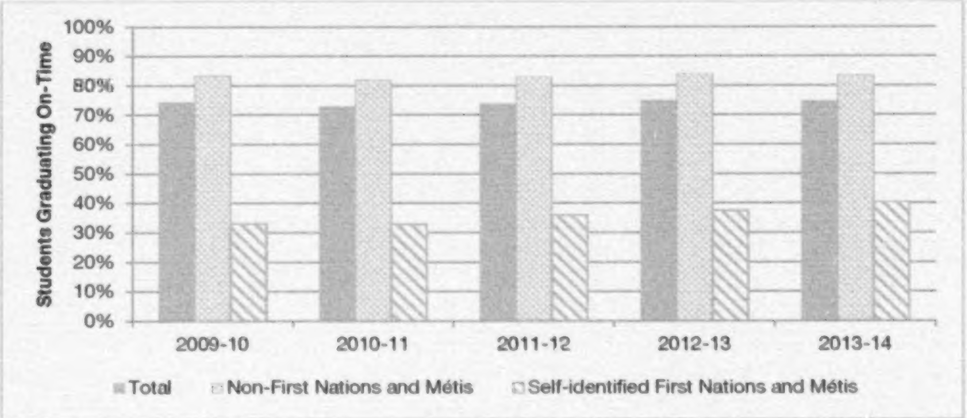
[C] The interministerial table is part of the Saskatchewan Child and Family Agenda, an interministry initiative. It is tasked with responsibility for ensuring the ministries of Government Relations; Education; Health; Social Services; Justice including Corrections and Policing; and Parks, Culture and Sport work together to improve the lives of Saskatchewan children and their families.

2.3 Significance of Sector-Wide Coordination

Education significantly impacts society and the economy. Youth who graduate from high school are at an advantage in terms of personal and economic success.[4] For example, a 2011 Gabriel Dumont Institute study found that lifetime earnings could significantly increase for a student who completed high school or its equivalency.[5] These increased earnings could improve the life of that individual and their family, and also contribute positively to the economy. In addition to the financial gains, education also could result in social benefits (e.g., health, safety, civic involvement).[6] Students who do not obtain satisfactory marks in school or who do not graduate from Grade 12 often have difficulty furthering their education or finding suitable employment, putting them at a disadvantage financially and socially.

Figure 1 identifies improvement targets the provincial education sector is striving to accomplish with regards to the graduation rate of Saskatchewan students. As **Figure 2** shows, while the percentage of self-identified First Nations and Métis students graduating on-time[7] has improved over the last five years, the province's total on-time graduation rate has remained relatively the same. Significant improvement across the province is necessary to achieve the 85% student graduation rate target by 2020 as identified within the ESSP.

Figure 2—Saskatchewan On-Time[8] Graduation Rates: 2009-10 to 2013-14 by Graduation Year



Source: Ministry of Education.

As **Figure 3** illustrates, Saskatchewan Grade 8 students lag behind in science, math, and reading as compared to other students across the country based on a recently-released comparison of 2013 student test scores across Canada by the Council of Ministers of Education (Canada). These subjects are critical to the overall success of students. A wide range of factors impact student achievement (e.g., purposeful teaching, adequate time for learning, cognitive ability, family income, health problems, frequent moves, absence from school).[9]

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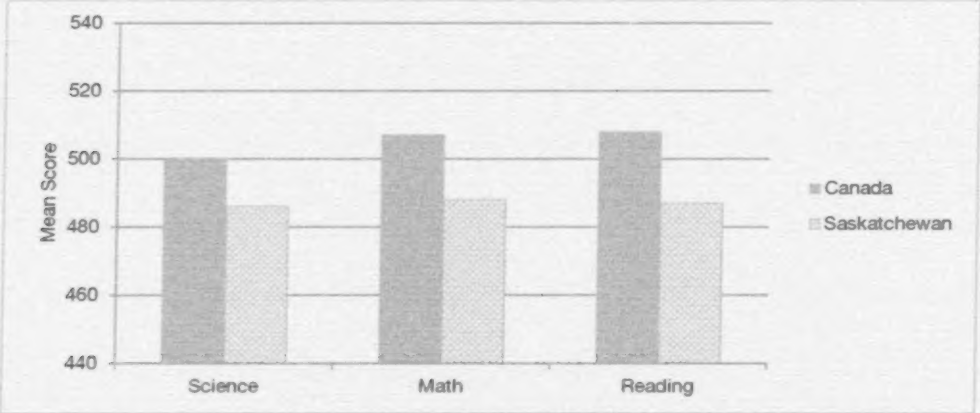
[4] Ministry of Education, *Plan for 2014-15*, p. 12.
[5] Howe, Eric (2011). *Mishchet aen Kishkayhtamihk nawut ki wiichiihtonaan: Bridging the Aboriginal education gap in Saskatchewan*. Saskatoon: Gabriel Dumont Institute, p. 6-7.
[6] OECD (2013). *Education Indicators in Focus – 2013/01 (January)*. www.oecd.org/education/skills-beyond-school/EDIF%202013--N%C2%B010%20(eng)--v9%20FINAL%20bis.pdf (7 February 2015).
[7] The Ministry of Education calculates on-time graduation rates as the percentage of students who complete Grade 12 within three years of starting Grade 10.
[8] Ibid.

Figure 3—Canada versus Saskatchewan: 2013 Mean Scores[10] of Grade 8 Students in Science, Math, and Reading



Source: Council of Ministers of Education (Canada), *Report on the Pan-Canadian Assessment of Science, Reading, and Mathematics* (7 October 2014).

The Ministry, along with the sector, intends to use the ESSP to help coordinate and focus the sector's efforts to achieve the ESSP's long-term outcomes by 2020 as planned. Effectively coordinating plans to support achievement of these outcomes is necessary to prevent duplication of effort and to ensure that plans across the sector support one another. Effectively coordinating plans may also result in additional benefits, such as improved program consistency throughout the sector and reduced program disruptions for students moving between schools, positively impacting student achievement. If the Ministry does not have effective processes to put the ESSP into action, it is at greater risk of failing to achieve the ESSP's planned outcomes and associated social and financial benefits (e.g., health, safety, economic, personal income).

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether, for the 12-month period ended January 31, 2015, the Ministry of Education had effective processes to put into operation the sector-wide strategic plan for the Prekindergarten through Grade 12 provincial education sector.

This audit focused on Ministry processes to put the ESSP into operation. We examined the Ministry's policies and procedures that relate to the sector-wide strategic plan. We interviewed Ministry and school division staff involved in putting the plan into operation. We examined minutes from PLT and Ministry executive meetings, guidance provided to school divisions, action plans supporting achievement of ESSP outcomes, documentation supporting decisions (e.g., targets, funding), and progress reports.

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[9] Ministry of Education (2010). *Provincial Panel on Student Achievement – Final Report*, p. 16.

[10] A mean score is the average score, calculated by adding the scores of all the students and dividing by the number of students.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 4**).

Figure 4—Audit Criteria

Effective processes to put into operation the sector-wide strategic plan for the Prekindergarten through Grade 12 provincial education sector includes processes to:

1. **Lead alignment of Ministry and school division plans with the sector plan**
   - 1.1 Show leadership commitment to achieve outcomes
   - 1.2 Provide guidance (e.g., policies, templates) for preparation of plans
   - 1.3 Confirm action plans support achievement of outcomes
2. **Make expectations clear**
   - 2.1 Confirm acceptance of responsibility and timelines for achievement of outcomes
   - 2.2 Confirm targets for outcomes
   - 2.3 Set processes for monitoring and reporting achievement of outcomes (e.g., policies, templates)
3. **Support achievement of outcomes**
   - 3.1 Align resources (e.g., funding, staff, training) with expectations
   - 3.2 Manage risks that could prevent achieving outcomes
   - 3.3 Revise plans as necessary

The Ministry, with the sector, has made substantial progress during 2014-15, the ESSP's first year of operation, to put the ESSP into operation.

We concluded that for the 12-month period ended January 31, 2015, the Ministry of Education had effective processes to put into operation the sector-wide strategic plan for the Prekindergarten through Grade 12 provincial education sector, except it needs to:

- **Review school division action plans supporting achievement of outcomes to coordinate actions across the sector**
- **Establish a sector deadline for completing action plans supporting achievement of outcomes**

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings, and recommendations related to the audit criteria in **Figure 4**.

4.1 Lead Alignment of Plans

4.1.1 Leadership Shows Commitment and Provides Guidance

We expected the Ministry and school divisions to demonstrate leadership commitment to achieve the outcomes within the ESSP, including communicating regularly with the PLT, Ministry, and school division staff, and taking into account feedback from those who are putting the ESSP into operation. We also expected the Ministry to provide guidance *(e.g., policies, templates) to its staff and the school divisions for preparing action plans at the separate levels to support the ESSP outcomes.*

The creation of the ESSP took significant effort by the PLT, Ministry, and school divisions to develop a collaborative approach to planning and operating the provincial Prekindergarten to Grade 12 education system. The Ministry used various mechanisms that demonstrated its leadership commitment to the ESSP:

- As we describe earlier in **Section 2.2**, the Ministry formed the PLT by bringing together senior leadership from across the education sector. While all PLT members worked towards achieving the ESSP long-term outcomes within their own organizations, members also took primary and secondary roles for leading initiatives related to the long-term outcomes at a provincial level. For example, one PLT member agreed to lead the provincial action plan supporting the long-term outcome that by June 2020, 90% of students exiting Kindergarten will score within the appropriate range in four of the five domains as measured by the Early Years Evaluation; three other PLT members agreed to provide assistance with this action plan. During our audit period, the PLT met many times to lead and coordinate the development and implementation of the ESSP.

- The Ministry's senior leadership team discussed issues relevant to the ESSP at its monthly executive committee meetings. Various communications (e.g., emails, bulletins) from the Ministry's senior leadership team were sent to Ministry staff throughout the year to keep them informed of the ESSP process.

- The Ministry accumulated feedback regarding the ESSP process from Ministry staff and staff from each school division. The Ministry summarized the feedback and provided it to the PLT for consideration. It made the feedback available to staff within the Ministry and school divisions on ESSP-specific web portals.

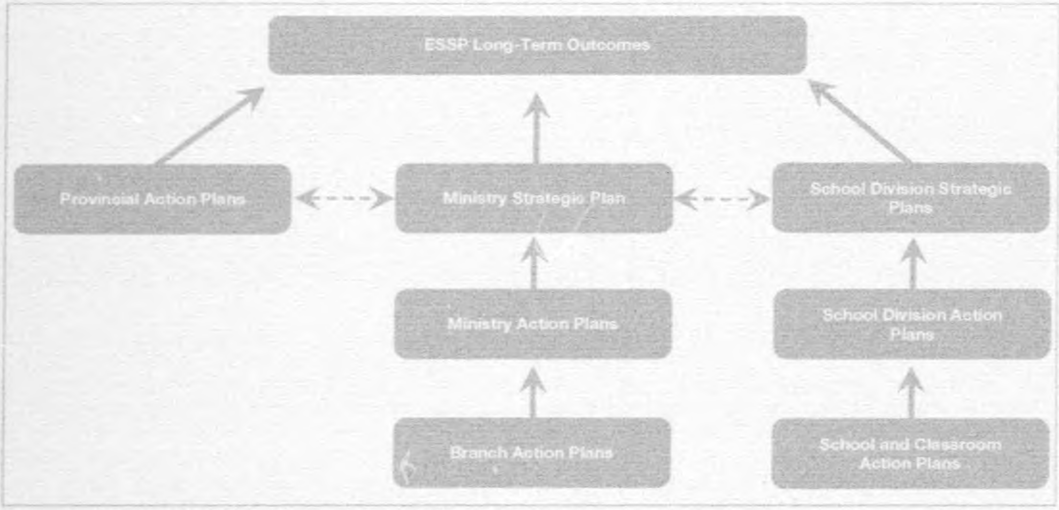
Also, the Planning and Reporting Unit within the Ministry facilitated the ESSP implementation process and prepared guidance for the Ministry and school divisions to guide their development of individual plans supporting the ESSP. Ministry guidance included various templates for preparing ESSP-specific documents (e.g., action plans, charts for reporting progress) and guides to help facilitate ESSP processes and discussions. The Ministry made the guidance available to staff within the Ministry and school divisions on the ESSP-specific web portals, which the Planning and Reporting Unit maintained throughout the year.

4.1.2 Oversight of Action Plans Throughout Sector Needed

We expected the Ministry to confirm that action plans throughout the sector supported achievement of the outcomes within the ESSP. In order to do so, we expected the Ministry to assess alignment of the individual plans of the Ministry and school divisions with the ESSP. We also expected the Ministry to assess the capability of the various plans to achieve the ESSP planned outcomes.

Implementation of the ESSP required the creation of action plans at various levels in the sector. The PLT created the top-level provincial action plans. The Ministry had its own action plans, and each school division was expected to create its own as well. Eventually, implementation of the ESSP is expected to include school and classroom action plans that align with provincial outcomes. Bringing the provincial priorities down through the various levels (i.e., provincial, Ministry, school divisions, schools, classrooms) is complex. **Figure 5** illustrates the organizational relationship between the various layers of planning required to support the ESSP.

Figure 5—Organizational Relationship of Plans Required to Support the ESSP



Source: Provincial Auditor of Saskatchewan (February 2015).

The Ministry developed an action-plan template for documenting planned work to achieve the ESSP's planned outcomes. The template required supporting information such as root-cause analysis, desired future state, performance measures, specific actions and their due dates, resource requirements, and risk identification and reduction strategies. The Ministry shared its action-plan template with the sector to assist in creating plans at the various levels required.

The PLT used the action-plan template to create provincial action plans. These set out the work required within the sector to achieve the ESSP's various long-term outcomes and short-term priority actions. The plans aligned with the ESSP long-term outcomes.

The Ministry created detailed action plans using its action-plan template to support each of the five ESSP long-term outcomes. The Ministry's action plans showed clear alignment with the ESSP outcomes. It also reported the actions planned for 2014-15 by the sector, including the Ministry, as part of its annual plan (*Ministry of Education, Plan for 2014-15*).

The Ministry did not require school divisions to use its action-plan template during 2014-15 because the ESSP was approved in spring 2014 and some school divisions had already started 2014-15 planning using other processes. The Ministry advised us that it expects school divisions to use the action-plan template starting in 2015-16.

At January 2015, the Ministry did not have processes to review all action plans across the sector, including the school division action plans, to ensure alignment with the ESSP. The Ministry had not reviewed school division plans, nor did it have up-to-date knowledge of school divisions' progress in preparing their plans or what processes they used to prepare their plans. Therefore, we directly obtained the individual plans from all 28 school divisions to assess the progress school divisions had made in developing their plans. We did not review plans at the school or Ministry branch level or below, given the early stages of ESSP implementation.

Overall, we found that most school divisions had started to develop action plans to support achievement of the ESSP planned outcomes. Most of these school divisions documented their action plans using the Ministry's action-plan template, but a few documented the plans using previous strategic planning processes. We found that at January 2015:

- 11 school divisions had developed formal action plans that aligned with all five ESSP long-term outcomes (although more detailed planning was ongoing because ESSP implementation is in the early stages).
- 13 school divisions had developed formal action plans that aligned with some (i.e., two to four) of the five ESSP long-term outcomes, and were doing more detailed planning on the action plans developed.
- 4 school divisions had not developed formal action plans that aligned with the ESSP long-term outcomes. Three of these school divisions were relatively small with 2014-15 enrolments of less than 2,000 students, while the fourth school division had 2014-15 enrolment of about 10,000 students.[11] The total school division 2014-15 enrolment was about 173,000, or an average of 6,000 students per division.

In addition to a few school divisions not creating action plans, later in **Section 4.2.1** we describe that the provincial, Ministry, and school division action plans were often incomplete. The Ministry did not establish a deadline to complete the plans. Staff within the Ministry and school divisions informed us that the PLT expected to set a deadline for plans to be completed across the sector during 2015-16. It is important that these plans are completed in a timely fashion given that the sector expects to achieve the long-term outcomes by 2020 – only five years away.

As the Ministry had not reviewed the school division plans, it did not know if the various plans collectively were capable of achieving the ESSP's planned outcomes. Such an assessment could identify changes that are needed to the plans to reduce redundancies, address gaps, or manage risks.

As described in **Figure 6**, effective coordination among the various plans created by the sector is necessary to help ensure the plans are working cohesively towards achievement of the ESSP outcomes.

Figure 6—Example of Interrelation Between Action Plans at Different Levels Within the Sector

The Education Sector Strategic Plan includes a long-term outcome that, by June 2020, 80% of students will be at grade level or above in reading, writing, and math. The Provincial Leadership Team (PLT) created a provincial action plan to achieve this outcome. As there are three different subjects within this outcome, the provincial action plan considers what needs to be done for each of the three subjects (e.g., develop instructional practices, provide training, complete student assessments). The provincial action plan sets out the timeframe to complete the work, with work starting first for reading, followed by math, and then writing. The PLT set an improvement target that by June 2015, at least 78% of Grade 3 students will be reading at or above grade level.

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[11] Ministry of Education, *Provincial K-12 Student Enrolment Summary*.

The sector chose to make the development of an instructional framework for reading a priority for 2014-15, so PLT created a short-term priority action plan to develop provincial high-impact reading assessment, instruction, and intervention strategies in 2014-15. The sector drafted an instructional framework for reading that it expects to implement during 2015-16.

Certain school divisions created action plans at the school division level to support this outcome as well. For example, one school division created an action plan for the outcome that included professional development for teachers and alignment of the school division's instructional framework with the provincial framework being developed. The division also created a separate action plan to support the provincial short-term priority related to reading. Another school division created a combined action plan for the outcome and short-term priority action, including developing literacy coaches, creating reading kits to support reading, improving library resources to support reading targets, and distributing the provincial instructional framework.

Given the level of planning completed within the sector, it is not clear how the sector will have time to carry out the actions required to achieve the short-term target of June 2015 for reading. It is also not clear how the Ministry and school divisions are coordinating their plans to work together towards the provincial action plan. For example, it is not clear if the provincial action plan expects each school division to create an instructional framework for reading that aligns with the provincial framework, or to simply adopt and roll out the provincial framework. Also, it is not clear if provincial professional development opportunities will be provided for teachers, or if school divisions will manage development opportunities. Also, school divisions may develop various tools to support reading without processes to inform them if another school division has already developed such or similar tools. Effective coordination of the action plans can help prevent duplication of effort and ensure that the action plans support one another.

Source: Provincial Auditor of Saskatchewan (February 2015).

Coordination is also important given that the outcomes of the ESSP are all interrelated. Four of the five outcomes could be seen as ultimately contributing to improvement of graduation rates, an indicator that students have acquired the educational knowledge and skills they require as they move into post-secondary education or the workforce. That is, two of the outcomes are about improving graduation rates, and two are about improving achievement of core subjects considered critical to graduate. Each outcome requires different actions, yet the results of those actions could impact the other outcomes.

The Ministry is ultimately responsible for leading educational planning in the sector. The Ministry's role as the ESSP facilitator places it in an ideal position to lead the analysis of the interrelationships between the various outcomes and assist with coordinating action plans across the sector. However, the Ministry was not reviewing the action plans prepared by school divisions. As a result, there is increased risk of duplication of effort within the sector and that actions across the sector may not be coordinated to effectively support achievement of the outcomes by 2020.

1. **We recommend that the Ministry of Education, to coordinate plans across the sector, review school division action plans supporting achievement of the outcomes identified within the sector-wide strategic plan for the Prekindergarten through Grade 12 education sector.**

4.2 Make Expectations Clear

4.2.1 Completion of Action Plans Needed

We expected the Ministry to confirm acceptance of responsibility and timelines for achievement of the outcomes identified within the ESSP with school divisions. Representatives who accepted responsibility for achievement of outcomes would have *appropriate authority to carry out the necessary actions. The timelines to achieve outcomes would be supported by research or other analysis.*

The Ministry's action-plan template required documentation of:

- Individual(s) responsible for leading the action plan
- Individual(s) responsible for the specific actions detailed within the plan (e.g., develop alternate pathways to graduation, develop instructional framework for reading, professional development for teachers)
- Timelines for completion of specific actions
- Resource requirements for specific actions (e.g., human resources, funding)
- Risks that could prevent or delay completion of the plan (e.g., shortage of funding, addressing diversity of student needs, capacity of school division staff)
- Strategies to reduce identified risks

We reviewed provincial action plans, Ministry action plans, and action plans for selected school divisions. We found that the action plans documented the individual(s) responsible for leading each action plan. These individuals appeared to have appropriate authority (e.g., Assistant Deputy Ministers, Directors of Education, Executive Directors, Directors), as well as knowledge and expertise in the relevant subject matter. However, we found that provincial, Ministry, and school division plans were often incomplete (e.g., missing responsibilities, timelines, resource requirements, risks, or risk reduction strategies for specific actions). Although it is reasonable that not all details would be determined within the first year of a six-year plan, we found details were missing for certain actions with deadlines in the current or upcoming year.

As described earlier in **Section 4.1.2**, at January 31, 2015, the PLT had not yet established a deadline for when the plans must be completed. Lack of a deadline increases the risk that the PLT, Ministry, and school divisions may not prepare complete action plans on a timely basis. Incomplete action plans make it difficult to monitor progress and take timely corrective action as necessary to meet stated targets. Documented plans also help ensure clarity of roles and responsibilities, creating stronger accountability for the achievement of actions and outcomes.

2. **We recommend that the Ministry of Education establish a deadline for completing action plans supporting achievement of the outcomes identified within the sector-wide strategic plan for the Prekindergarten through Grade 12 education sector.**

4.2.2 Reasonableness of Targets Not Supported

We expected the Ministry to confirm the targets for the outcomes identified within the ESSP, including determining whether the targets were precise, measurable, and challenging but achievable. We also expected the Ministry to establish performance measures that were relevant, reliable, comparable, and understandable.

As illustrated earlier in **Figure 1**, the PLT set out long-term outcomes (i.e., long-term targets) as well as improvement targets to assess achievement of the ESSP. We found that the targets related to relevant, clearly defined (i.e., precise and measurable) numeric or description measures. The Ministry set calculation methodologies that documented how to measure actual performance to help ensure the performance information was reliable, comparable, and understandable.

While the PLT developed the ESSP, it also considered central government direction when setting outcomes and targets. We found that outcomes in the ESSP tied to the direction set out by the Government in the *Saskatchewan Plan for Growth – Vision 2020 and Beyond* as shown in **Figure 7**.

Figure 7—Comparison of Government Goals to ESSP Long-Term Outcomes

Government Direction	ESSP Long-Term Outcome	2013-14 Actual Results (Baseline)
Reduce the difference in graduation rates between Aboriginal and non-Aboriginal students by 50% by 2020.	By June 2020, collaboration between First Nations and Métis and non- First Nations and Métis partners will result in significant improvement in First Nations and Métis achievement and graduation rates.	First Nations and Métis graduation rate of 40.3%. Non-First Nations and Métis graduation rate of 83.4%.
Lead the country in Grade 12 graduation rates by 2020 (the highest provincial graduation rate in the country is about 82%).	Saskatchewan's graduation rate will be 85% by 2020.	Saskatchewan graduation rate of 74.7%.
To increase student achievement, increase the number of Grade 3 students reading at "grade level" by 20% by 2015.	By June 2020, 80% of students will be at grade level or above in reading, writing, and math.	Reading: Grade 1 = 65.8% Grade 2 = 69.8% Grade 3 = 69.9% No baseline for writing and math as measures are still in development.
Ensure the programs and services delivered by government are being delivered as efficiently and effectively as possible and are aligned to the government's priorities. Require school boards to demonstrate financial efficiencies such as joint supply purchasing, shared back office services, Lean initiatives and workforce adjustment targets that can be directed towards supporting front-line services.	By 2017, the increase in operational education spending will not exceed the general wage increases and inflationary costs within the sector while being responsive to the challenges of student need, population growth, and demographic changes.	No baseline for operational education spending as measures are still in development.
Expand Prekindergarten programs with an emphasis on improved support for children at-risk, in addition to increasing early learning and childcare spaces in Saskatchewan.	By June 2020, 90% of students exiting Kindergarten will score within the appropriate range in 4 of the 5 domains as measured by the Early Years Evaluation (EYE).	81.8% of students exiting Kindergarten.

Source: Provincial Auditor of Saskatchewan (February 2015) based on information from Government of Saskatchewan, *Saskatchewan Plan for Growth – Vision 2020 and Beyond* (March 2014), *Ministry of Education, Plan for 2014-15* (March 2014), and Ministry of Education.

While performance measures were established to help assess achievement of the outcomes identified within the ESSP, given the 2013-14 results, some of the related targets appear ambitious. For example, the ESSP includes an outcome that Saskatchewan's graduation rate will be 85% by 2020. As illustrated earlier in **Figure 2**, the province's graduation rate has been fairly stable over the past five years, at about 75%. To realize a 10% increase in graduation rates within the next five years will require significant improvements across the sector.

The Ministry did not keep documentation of research or other work supporting how the targets established in the ESSP were determined. As such, the Ministry was not able to show that its long-term outcomes or improvement targets (as described earlier in **Figure 1**) are achievable. Achievable targets, including those that are challenging, can help generate public support for plans, assist in further motivating staff to fulfill achievement of the targets, and furnish an appropriate gauge of performance.

Earlier in **Section 4.1.2**, we describe that ESSP outcomes relate to increasing graduation rates. In our *2014 Report – Volume 1*, Chapter 19, we reported the results of our follow up of our audit of the Ministry's processes to increase graduation rates above the 2004-05 baselines.[12] We reported that the Ministry had not yet identified and analyzed the reasons for changes in graduation rates, nor identified the most effective education strategies that could influence student achievement and Grade 12 graduation rates. While the Ministry had set some targets for increasing graduation rates, it still had work to do. We continued our recommendation that the Ministry set short- and long-term targets for increasing Grade 12 graduation rates.

4.2.3 Monitoring and Reporting Processes Developed

We expected the Ministry to establish processes for monitoring and reporting the achievement of outcomes identified in the ESSP. Such processes would set the frequency and format for monitoring and reporting, as well as the processes to gather, analyze, and report results.

The Ministry and school divisions use computer systems to help gather and analyze the data required for reporting progress. Most of the data used for reporting is maintained in the Ministry's Student Data System (SDS). SDS is the Ministry's primary database for the education sector and contains various information about students and schools within the Kindergarten to Grade 12 education system. For example, SDS contains information such as student demographics and student marks for grades 10 through 12. The Ministry is also beginning to use SDS to collect reading-level data for students in grades one through three.

According to its September 2014 terms of reference, the PLT expects to meet three times each year (in approximately September, December, and April) to monitor progress towards action plans and outcomes. The PLT met many times after it approved the ESSP in spring 2014; two of these meetings were for the purposes of monitoring progress, with the third monitoring meeting expected to occur in April 2015.

As described earlier in **Section 4.1.1**, the Ministry provided the sector with various templates for monitoring and preparing reporting information (e.g., action plans, charts for reporting progress, etc.), as well as guides to help facilitate meetings to discuss progress towards plans. PLT members responsible for the various provincial action plans use this guidance to analyze results to date and report on progress.

We found the PLT's reports included data charts showing trends compared to targets and corrective action plans for outcomes that were not progressing as expected (e.g., extending the date for the First Nations and Métis student achievement initiative field test to allow sufficient preparation time). However, given the relationships between the provincial and Ministry/school division plans, as shown earlier in **Figure 5**, and that school division plans are incomplete, the PLT and the Ministry could not fully monitor progress towards the outcomes.

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[12] In our *2012 Report – Volume 1*, Chapter 2, we found that the Ministry did not have effective processes to increase the Grade 12 graduation rate above the 2004-05 baseline rate and we made 10 recommendations. We followed up on the status of the 10 recommendations in our *2014 Report – Volume 1*, Chapter 19, and found that, at January 31, 2014, the Ministry had partially implemented three of the recommendations and not implemented seven recommendations.

We observed that the Ministry followed the guidance at its monthly meetings to discuss progress towards the Ministry's action plans. The Ministry provided training to school divisions on this guidance. We saw that certain school division reports used this guidance. As described earlier in **Section 4.1.2**, at January 31, 2015, school divisions were using various processes to plan and had not completed their plans, so use of the guidance varied. Given that this was the first year of the ESSP implementation, it is reasonable for reporting practices to evolve as the sector learned to work with the new methodology.

Because the ESSP was first introduced in 2014, the Ministry had not, by January 2015, provided a year-end progress update for the ESSP outcomes. It expects to report publicly on these outcomes in the summer of 2015 in the Ministry's 2014-15 annual report.

4.3 Support Achievement of Outcomes

4.3.1 Align Resources with Expectations

We expected the Ministry to appropriately align resources (e.g., funding, staff, training) to assist with achievement of the ESSP outcomes. We expected the Ministry to designate staff to support school divisions throughout the ESSP process, provide training to support focus on the ESSP outcomes, and approve funding to support the cost of action plans.

As described earlier in **Section 4.1.1**, the Ministry has designated its Planning and Reporting Unit as the facilitator of the ESSP process. The Planning and Reporting Unit provides guidance and support to the school divisions throughout the process by providing template materials and maintaining the ESSP-specific web portals. School divisions can contact the Planning and Reporting Unit for assistance or with questions regarding the ESSP. Also, the Ministry held various ESSP training events for staff within the Ministry and the sector (e.g., school divisions, First Nations and Métis organizations, Saskatchewan Association of School Board Officials, etc.).

In October 2014, the Ministry also assigned additional staff supports to assist the sector. As shown earlier in **Figure 1**, the ESSP included two short-term priority actions that were deemed to be areas of focus for 2014-15. The Ministry established a Priority Action Team (PAT) made up of key staff from throughout the Ministry with specific skills and knowledge to support achievement of those actions. The PAT worked directly with PLT members, who were responsible for the actions, and with supporting staff at the school divisions and the Ministry. Because the Ministry expects to set new short-term priority actions approximately annually, it expects the work of the PAT to change each year to align with those actions.

The Ministry also used the PLT forum to convey its expectations surrounding the use of financial resources for the ESSP. The Ministry did not make adjustments to its PreK-12 Funding Distribution Model as a result of the ESSP and is not planning to provide significant incremental funding to school divisions for implementation of the ESSP. The

Ministry provides school divisions with annual operating grants totalling about $1.2 billion[13] each year and expects school divisions to allocate their operating funding as necessary to accomplish the outcomes of the ESSP. We also note that the Ministry has provided funding of about $1 million to support two specific actions or programs related to the ESSP.

The action-plan template requires consideration and documentation of resource requirements. As described earlier in **Section 4.2.1**, we found instances where the consideration and documentation of resource requirements within action plans were incomplete. As described earlier in **Section 4.1.2**, we found that the Ministry did not review school division plans including resource requirements. In our *2014 Report – Volume 1*, Chapter 19, we reported that without a timely review of school divisions' plans, the Ministry will not know if school divisions plan to spend public money on student education as intended (e.g., actions to achieve the ESSP).

4.3.2 Complete Risk Identification and Mitigation Needed

We expected the Ministry to manage risks that prevent achieving the outcomes identified within the ESSP. Risk management involves identifying risk, as well as using strategies or actions to mitigate the risks to an acceptable level.

In initially developing the ESSP, the Ministry completed an environmental scan that included a general risk assessment. The Ministry is to update this risk assessment each year as part of the annual planning cycle for the ESSP. The Ministry action-plan template also requires the identification and documentation of risks that could interfere with carrying out detailed actions, and the development of strategies to reduce the identified risks to an acceptable level. We found risk identification and mitigation strategies within Ministry and school division action plans we reviewed were incomplete in nearly all cases. The Ministry did not require all school divisions to use the template in 2014-15, but plans to start requiring this in 2015-16.

Effective risk management processes can help to increase the likelihood of meeting targeted outcomes, including staying within planned resources. As described earlier in **Section 4.2.1**, we recommend that the Ministry establish a sector deadline for completing action plans, which includes documenting risks and the strategies to reduce them.

4.3.3 Plans Revised As Necessary

We expected the Ministry to have processes to revise the ESSP as necessary (e.g., based on performance results). We expected the Ministry to have processes to communicate changes made to the ESSP to its stakeholders (e.g., school divisions, public).

The sector plans to update the ESSP annually by March. At January 31, 2015, the sector had started its annual planning cycle to review and update the ESSP. As described earlier in **Section 4.2.3**, the PLT met twice between the approval of the ESSP in spring 2014 and January 31, 2015 to monitor progress towards the ESSP outcomes, including consideration of revisions needed to the ESSP. The Ministry reviewed its performance results supporting the ESSP during the year (e.g., Ministry monthly progress meetings), which provided another opportunity to consider revisions. The Ministry expects to communicate any subsequent changes PLT approves to the outcomes or targets within the ESSP to stakeholders through the Ministry's strategic plan and annual report that are issued for each fiscal year. No such changes occurred by January 31, 2015.

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[13] *Government of Saskatchewan – 2014-15 Estimates*, p. 46.

While information contained within the ESSP had not been revised as of January 2015, action plans supporting the ESSP were revised in 2014-15. When ESSP outcomes are not progressing as expected, the individuals responsible for the related action plan(s) are required to create a corrective action plan that explains why the outcome is not progressing as expected along with suggested revisions to realign activity to achieve the outcome. We observed several corrective action plans documenting how the Ministry and the sector were revising their action plans on an ongoing basis based on their analysis of results.

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Chapter 10
eHealth Saskatchewan—Protecting Patient Information in the Saskatchewan Laboratory Results Repository

1.0 MAIN POINTS

eHealth Saskatchewan (eHealth) is responsible for the provincial electronic health records (EHR) for patients and for providing healthcare professionals with access to those records. eHealth is creating the provincial EHR by compiling and standardizing key patient data from different regional health authorities and healthcare providers into provincial data repositories. One of these repositories is the Saskatchewan Lab Results Repository (SLRR). SLRR distributes lab results through a website to healthcare professionals.

Electronically sharing information creates security risks, such as unauthorized or inappropriate access to sensitive information. eHealth is responsible for protecting patient information in SLRR.

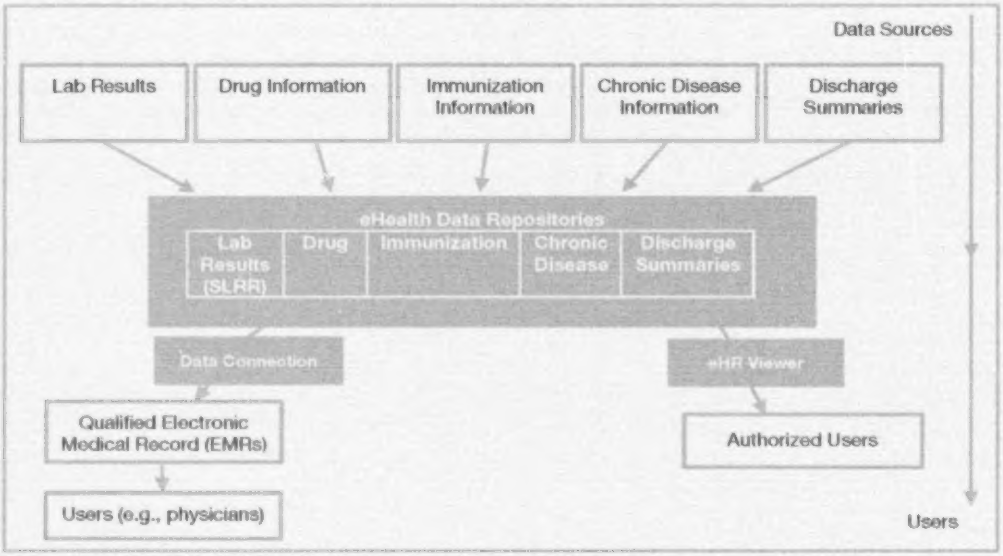
For the 12-month period ended March 31, 2015, eHealth had effective processes to secure patient information in the SLRR except it needs to:

- Set up alerts to enable timely detection of inappropriate access to lab results in SLRR
- Properly update SLRR systems to reduce threat of unauthorized or inappropriate access
- Implement policies to confirm users approved to access SLRR, and require prompt removal of access upon request
- Follow its password expiry policy to force periodic password changes for SLRR privileged user accounts

2.0 INTRODUCTION

The provincial EHR is a system of comprehensive electronic health records for patients in Saskatchewan that allows the electronic sharing of patient data among healthcare professionals. The provincial EHR is expected to improve patient care and generate healthcare efficiencies. eHealth Saskatchewan (eHealth) is a Treasury Board Crown corporation responsible for developing and implementing the provincial EHR in Saskatchewan. As illustrated in **Figure 1**, the provincial EHR collects patient information (e.g., diagnostic images, lab results, immunization information, drug information) from various computer systems.

Figure 1—Simplified Overview of Provincial Electronic Health Record


Data Sources
Lab Results
Drug Information
Immunization Information
Chronic Disease Information
Discharge Summaries
eHealth Data Repositories
Lab Results (SLRR)
Drug
Immunization
Chronic Disease
Discharge Summaries
Data Connection
eHR Viewer
Qualified Electronic Medical Record (EMRs)
Authorized Users
Users (e.g., physicians)
Users

Source: Adapted from eHealth Information Advisory Committee Terms of Reference.
Note: Shaded boxes are within the control of eHealth.

SLRR is a component of the provincial EHR. The data repository distributes lab results to healthcare professionals that it receives from the 12 regional health authorities'[1] lab systems and the Saskatchewan Disease Control Laboratory.[2]

This chapter reports the results of our audit of eHealth's processes to secure patient information in SLRR.

The **Glossary** in **Section 6.0** defines many of the terms used in this chapter.

3.0 PROTECTING PATIENT INFORMATION IN SLRR

SLRR is eHealth's computer system that compiles patient lab information (e.g., results of blood and urine tests) into a centralized data repository. eHealth makes patient information in SLRR available to authorized healthcare professionals through:

- eHR Viewer, eHealth's website, which provides authorized users with read-only access to eHealth's data repositories including SLRR. At March 2015, eHealth had given read-only access to 4,000 healthcare professionals (authorized users).
- A data connection that sends patient data from eHealth's data repositories, including SLRR, to qualified[3] electronic medical record (EMR) systems. EMR

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[1] Regional Health Authorities (RHAs) are organizations created by *The Regional Health Services Act* to plan, organize, deliver, and evaluate health services in their respective regions. The 12 RHAs are: Cypress, Five Hills, Heartland, Keewatin Yatthé, Kelsey Trail, Mamawetan Churchill River, Prairie North, Prince Albert Parkland, Regina Qu'appelle, Saskatoon, Sun Country, and Sunrise.

[2] The Saskatchewan Disease Control Laboratory is a branch of the Ministry of Health responsible for identifying, responding to, and preventing illness and disease in Saskatchewan. Its services range from routine testing of water supplies to disease outbreak identification and control.

[3] eHealth supports provincial repository access for three approved EMR systems used in physician offices. EMRs enable physicians to record a patient's medical history.

systems are used by regional health authorities and physician-owned and managed healthcare clinics and offices.

Although many benefits can be achieved by electronically sharing patient information with healthcare professionals, appropriate measures are necessary to keep patient information secure.

Under *The Health Information Protection Act* (HIPA), eHealth is obligated to protect patient information in SLRR. Preventing unauthorized or inappropriate access to sensitive information is increasingly challenging, particularly in the healthcare sector, where the main focus is often on client service delivery. Inadequate security could result in the loss or inappropriate use of patient information (e.g., user looking at patient data not required for their work), corruption or manipulation of patient information, medical identity theft, or system failure. The loss of patient information or system failure could impact the timeliness of patient care. If sensitive patient information were to fall into the wrong hands, public trust in health care could be threatened. A loss of confidence in the provincial eHR could result in decreased use by healthcare professionals, or more patients choosing to mask their patient information, which would reduce the benefits of this investment.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether eHealth Saskatchewan had effective processes to secure patient information in the Saskatchewan Lab Results Repository (SLRR) from April 1, 2014 to March 31, 2015.

Given that EMRs reside at physician offices and healthcare clinics and are not owned by eHealth, we did not look at the security of data in those systems.

We examined eHealth's policies, procedures, and agreements and interviewed eHealth staff. We also examined eHealth's controls to secure SLRR, including server patch levels, physical security, and users with privileged access.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate eHealth's processes, we used criteria based on the work of other auditors and literature listed in the selected references. The criteria are primarily based on the *Trust Services Principles, Criteria, and Illustrations* published by the Chartered Professional Accountants of Canada and the American Institute of Certified Public Accountants. eHealth's management agreed with the criteria (see **Figure 2**).

Figure 2—Audit Criteria

To have effective processes to secure patient information in SLRR, eHealth should:

1. **Monitor the system and data**
    - 1.1 Responsibilities to secure the system and data are clearly defined
    - 1.2 Management has approved security policies and procedures
    - 1.3 Management monitors and addresses security risks (e.g., unauthorized or inappropriate access)
2. **Protect the system and data from unauthorized access**
    - 2.1 User access controls protect the system and data from unauthorized or inappropriate access
    - 2.2 Physical security controls protect the system and data from unauthorized access

3. **Make the system and data available for operation**
    - 3.1 System and data backups occur and are tested
    - 3.2 Disaster recovery plans are in place and tested
4. **Maintain the integrity of the system and data**
    - 4.1 Processes to manage the system and data exist and are followed
    - 4.2 Change management processes exist and are followed

We concluded that, for the period of April 1, 2014 to March 31, 2015, eHealth Saskatchewan had, other than the following, effective processes to secure patient information in the Saskatchewan Lab Results Repository. eHealth needs to:

- **Assess risks of inappropriate access to lab results in the Saskatchewan Lab Results Repository and set up related alerts to enable timely detection**
- **Implement policies to periodically confirm existing users have appropriate access to the eHR Viewer and require prompt removal of eHR Viewer access upon request**
- **Follow its password expiry policy for Saskatchewan Lab Results Repository privileged user accounts**
- **Properly configure and update, on a timely basis, the Saskatchewan Lab Results Repository systems for critical vulnerabilities**

Also, as identified in our *2014 Report – Volume 2*, Chapter 7, eHealth needs a complete and tested disaster recovery plan.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) and our key findings along with related recommendations.

5.1 Better Monitoring of User Access Needed

In order to effectively monitor the SLRR system and data, we expected:

- *Roles and responsibilities for securing the system to be clear. It is important that information technology (IT) employees (i.e., those who design and maintain an IT system) are segregated from operations (i.e., those who use an IT system for their day-to-day jobs).*
- *Documented IT security policies and procedures to be regularly updated.*
- *SLRR to be monitored for unauthorized and inappropriate access and identified security risks to be addressed in a timely manner.*

eHealth has an effective IT organizational structure for securing SLRR. We found it separated operations from IT delivery and made a security group responsible for periodically assessing the state of its IT security. eHealth also has approved security policies and procedures that outline structured processes for securing IT systems, including SLRR systems and data. At March 2015, eHealth was carrying out a regular update of its security policies and procedures.

eHealth has a standard Master Data Sharing Agreement with each of the 12 regional health authorities (RHAs) and the Ministry of Health (for the Saskatchewan Disease Control Laboratory). Each of these agreements create a data-sharing relationship, whereby lab results received from RHAs and the Saskatchewan Disease Control Laboratory are amalgamated into SLRR. Through these agreements, eHealth becomes the trustee[4] of the data in SLRR.

To govern decision-making related to SLRR, such as user access, eHealth has created a committee called the eHealth Information Advisory Committee. Membership is comprised of patients, various individuals representing RHAs, and other health organizations (e.g., Saskatchewan College of Physicians and Surgeons, Saskatchewan College of Pharmacists). We found the eHealth Information Advisory Committee meets regularly (i.e., three times in 2014-15).

As previously noted, eHealth makes lab results in SLRR available electronically to authorized healthcare providers through qualified EMRs and the eHR Viewer. See **Section 5.2** for a description of the authorization process.

eHealth has operated eHR Viewer, a website, since 2011 and grants authorized users access to view patient data, including lab results, over the Internet. eHealth tracks what each authorized user views through the eHR Viewer. In January 2015, eHealth developed a system to alert it of potential inappropriate access to patient data (alert system). We found that it had set up the alert system to notify eHealth about two types of potential inappropriate access:

- Any authorized user accessing data that is masked. Patients can request eHealth mask their data in eHR Viewer – meaning their patient data can only be viewed in special circumstances (e.g., in life-threatening situations).

- Authorized users from Saskatchewan Disease Control Laboratory accessing non-SLRR data.

During 2014-15, there were two incidents where eHealth was notified by external parties of potential inappropriate access. After the incidents were reported, eHealth examined logs to determine what was accessed and by whom. The types of system alerts currently used are not sufficient to help identify these types of incidents.

Further alerts could notify eHealth of inappropriate access on a timely basis. For example, eHealth could set up alerts to notify it if a user accesses a large number of patient files within a very short time or from unexpected locations (e.g., outside the user's health region or areas of specialization). Not assessing the need for further types of alerts to identify inappropriate user access increases the risk of not sufficiently securing SLRR data.

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[4] *The Health Information Protection Act* defines a trustee as a person or organization who has custody or control of personal health information (i.e., patient data).

1. We recommend that eHealth Saskatchewan assess risks of inappropriate access to lab results in the Saskatchewan Lab Results Repository and set up related alerts to enable timely detection.

Addressing security risks includes assessing whether systems are vulnerable to attackers. Systems must be properly configured and regularly updated with security patches to protect them from security vulnerabilities.

eHealth had not properly configured or updated its SLRR systems in a timely manner. For example, we found that eHealth had not applied updates that were available since October 2012 to its SLRR systems. eHealth did not have a documented risk analysis to explain why it did not apply these updates to its SLRR systems. Without proper configuration and timely updates, there is an increased risk someone could gain unauthorized access to systems and data.

2. We recommend that eHealth Saskatchewan properly configure and update, on a timely basis, its Saskatchewan Lab Results Repository systems for critical vulnerabilities.

5.2 Access Controls Need Strengthening

We expected eHealth to:

- *Place physical servers in secured server rooms that are protected against environmental factors (e.g., fire, floods, and temperature extremes), have backup power sources for servers in the event of an electrical outage, and restrict employee access (e.g., by using key cards to access locked rooms and video surveillance to monitor the room)*
- *Have user access controls to control who can access a system (users), the data they can access within that system, and how*

eHealth had contracted a service provider to house, but not manage, its systems and data (i.e., servers) in a data centre. The service provider's data centre had security controls that restrict physical access, supply backup power, and provide environmental controls (e.g., air conditioning).

eHealth had processes for granting and removing user access to the eHR Viewer. User access requests (e.g., new hires and terminations) are processed by eHealth and electronically approved by authorized persons in approved healthcare organizations. We found eHealth maintained appropriate listings of approved healthcare organizations (e.g., RHAs, physicians) and authorized persons within those organizations. We also found eHealth had an appropriate password policy designed to protect the eHR Viewer user accounts from unauthorized access.

However, we found that eHealth did not always remove users in a timely manner (i.e., remove access within one working day of receipt of a termination request). For example, in one instance, eHealth did not remove access for six working days after its receipt of the request. eHealth's policy does not set a timeframe for implementing changes to user access (e.g., process request within one working day of receipt).

Delays in removing unneeded access mean staff no longer employed by authorized healthcare organizations or who no longer have a need to access patient data continue to have such access.

3. **We recommend that eHealth Saskatchewan implement a policy to require prompt removal of user access to the Saskatchewan Lab Results Repository through the eHR Viewer upon request.**

The confidentiality of SLRR data depends on both eHealth and healthcare organizations sufficiently protecting the system from unauthorized access. While strong processes for making changes to access are critical, a regular review of existing users to verify the continued appropriateness of their access is needed. We found eHealth's policy does not require each approved healthcare organization to confirm, periodically, that its eHR Viewer users continue to have appropriate access. Also, eHealth does not provide these organizations with reports that would help them to efficiently and periodically carry out this review.

Not requiring a periodic review of existing users increases the risk that users who no longer require access continue to have the ability to view confidential patient data.

4. **We recommend that eHealth Saskatchewan implement a policy to confirm periodically with healthcare organizations that existing users have appropriate access to the Saskatchewan Lab Results Repository through the eHR Viewer.**

eHealth's password policy requires passwords to be changed at least every 90 days. By setting passwords to automatically expire, eHealth forces users to change their password within the required time period. We found eHealth did not set two key accounts with privileged SLRR access (i.e., access with the ability to change systems or data) to expire and the passwords had not been changed in over 90 days. Not changing passwords on a regular basis increases the risk that the password may be compromised.

5. **We recommend that eHealth Saskatchewan follow its password expiry policy for privileged user accounts that access the Saskatchewan Lab Results Repository.**

5.3 SLRR May Not be Available in the Event of a Disaster

We expected eHealth to:

- *Have effective backup and recovery procedures designed to reduce the amount of downtime for SLRR. This includes storing backed up data on encrypted tapes (i.e., tapes that are unreadable without a code) at an offsite location.*
- *Have a recovery plan for SLRR in the event of a disaster (disaster recovery plan).*

eHealth had effective backup policies and procedures, including storage of encrypted backups at an offsite location. We found that eHealth regularly performed backups of server data and verified daily whether server backups were successful.

eHealth did not have a complete, documented disaster recovery plan in case of a major system failure (e.g., SLRR equipment and data becomes unavailable). eHealth also hosts lab information systems on behalf of RHAs at the same data centre as SLRR, except for the Regina-Qu'Appelle and Saskatoon RHAs. Therefore, a disaster at the data centre would impact SLRR and most RHA lab information systems that are data sources for SLRR. Such a disaster could delay when lab results are available to healthcare providers and impact patient care.

Without a complete and tested disaster recovery plan, SLRR may not be available when needed and, as a result, healthcare providers may not have lab results provided to them on a timely basis. We reported the need for eHealth to have a complete and tested disaster recovery plan in our *2014 Report – Volume 2*, Chapter 7.

5.4 System and Data Integrity Maintained

We expected eHealth to:

- *Have operational processes for maintaining the data integrity of the SLRR system and monitoring of SLRR to ensure it is operating as planned*
- *Implement change management processes. Processes would include approving and testing system changes before their implementation*

Data compiled in SLRR comes from various RHA lab information systems. To compile lab results in SLRR, eHealth converted lab results to a standard set of data requirements. eHealth had detailed procedures for addressing errors related to data compilation failures.

We found eHealth checked for compilation errors throughout the day. SLRR compiled about 1.5 million lab results each month, generating about 100-200 related compilation errors. During our review of errors, we found eHealth rectified the errors by having RHAs correct and resend the data, or by updating SLRR to allow data to be compiled.

Also, we found that eHealth had documented adequate change management processes. For the changes we reviewed, we found eHealth had appropriately approved and tested the changes, and had documented plans in case the changes failed.

6.0 GLOSSARY

Change Management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data Centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster Recovery Plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Mask—A process to prevent patient data in the provincial electronic health record from being viewed by users except as approved by the patient or in special circumstances (e.g., in life-threatening situations where the patient is unable to give approval).

Network—A group of computers that communicate with each other.

Patch—An update to a computer program or system designed to fix a known problem or vulnerability.

Physical Access Controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

User Access Controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

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Chapter 11
Environment—Regulating Industrial Wastewater Systems

1.0 MAIN POINTS

Industrial activities (e.g., mining) generate wastewater. Industrial wastewater can contain various contaminants that are harmful to human health and ecosystems. To limit risks posed by these contaminants, industrial site owners are required to have wastewater systems that reduce the negative impacts of industrial wastewater.

The Ministry of Environment (Ministry) is responsible for regulating industrial wastewater. For the period of January 1, 2014 to December 31, 2014, the Ministry had effective processes to regulate industrial wastewater, except it needs to:

- Keep up-to-date records on the frequency of industrial wastewater system inspections
- Clearly document the results of each inspection and prepare annual environmental compliance reports for each higher-risk industrial wastewater system
- Provide the public with information on enforcement actions related to its industrial wastewater system regulation

2.0 INTRODUCTION

Industrial activities in Saskatchewan place pressure on the province's natural resources, including water. Industrial activities such as mining, manufacturing, and power production generate wastewater that is harmful to human health and ecosystems. For example, wastewater can be contaminated with high concentrations of metals, sulphide minerals, dissolved solids, or salts that negatively affect surface water quality, aquatic ecosystems, and groundwater quality.

Industrial site owners are responsible for having wastewater systems that limit the impact of wastewater on the environment. Most often, wastewater is contained in tailings[1] ponds or lagoons, or treated prior to being discharged into surface water. Regulating industrial wastewater systems helps limit risks to human health and ecosystems.

The Ministry regulates industrial wastewater by issuing permits (for constructions/expansions and operations), inspecting wastewater systems at industrial sites, reviewing environmental monitoring results (e.g., water sampling results), and enforcing permit requirements. This chapter sets out the results of our audit of the Ministry's processes to regulate industrial wastewater.

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[1] Tailings are fine ground rock and mineral waste products from mineral processing operations. Tailings are usually deposited in the form of water-based slurry into tailing ponds, which are sedimentation lagoons enclosed by dams built to capture and store tailings.

3.0 BACKGROUND

3.1 Industrial Wastewater Systems

Industrial activities generate wastewater that can contain a variety of contaminants that pose a risk to human health and the environment. The goal of industrial wastewater treatment is to reduce or remove organic matter, solids, nutrients, metals, and other pollutants before discharging the wastewater into the environment. Therefore, wastewater treatment must be designed and operated in a way that it reduces the negative impacts on ecosystems and human health.

Wastewater treatment is a multi-stage process to help remove contaminants before wastewater re-enters a body of water, is applied to the land, or is reused. The methods used and degree of treatment vary depending on the type of pollution and the sensitivity of the receiving environment.[2] In general, options to treat wastewater consist "of a combination of physical, chemical, and biological processes and operations"[3] designed to settle out suspended particles in the wastewater and eliminate toxic biological and chemical contaminants.

3.2 The Ministry's Responsibility for Regulating Industrial Wastewater

Under *The Environmental Management and Protection Act, 2002*,[4] the Ministry is responsible for inspecting and regulating wastewater treatment at 165 operating industrial sites as shown in **Figure 1**.

Figure 1—Industrial Sites by Operation, Discharge into Surface Water, and Risk Rating, at March 2015

Category of Industrial Operation	Total Number of Operating Sites	Number of Sites that Discharge into Surface Water	Number of Extreme or High Risk Sites
Potash Mining	16	-	12
Uranium Mining	8	5	7
Coal Mining	3	3	3
Gold Mining	5	3	4
Sodium Sulfate and Potassium Sulfate Mining	8	2	1
Other Mining (e.g., diamond, salt, metal)	18	3	9
Power Generation	10	4	3
Petroleum Refineries	3	-	3
Ethanol/Biofuels	8	1	1

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[2] The receiving environment is where treated wastewater is released.

[3] www.fao.org/docrep/t0551e/t0551e05.htm#3.2.5 (21 July 2014).

[4] *The Environmental Management and Protection Act, 2010* comes into effect in June 2015. Significant changes to the regulation of industrial sites as a result of this new Act are not expected.

Category of Industrial Operation	Total Number of Operating Sites	Number of Sites that Discharge into Surface Water	Number of Extreme or High Risk Sites
Agriculture – Grain Processing	11	1	-
Animal/Animal Byproduct Processing	10	1	-
Forestry/Wood Treatment	14	1	6
Industrial Landfills/Landfarms	21	3	1
Other Industrial (e.g., railcar repair, manufacturing)	30	2	7
Total	**165**	**29**	**51**

Source: Ministry of Environment information.

The Ministry evaluates the extent of risks that regulated industrial sites pose to the environment. Risk factors include site proximity to environmentally-sensitive areas, public concern, and history of compliance issues. **Figure 1** shows the Ministry has identified 51 industrial sites as posing extreme or high risks to the environment. Also, **Figure 1** shows that 29 of the 165 industrial sites are designed to discharge treated wastewater into surface water. Direct discharges into surface water can have an immediate effect on water quality, with surface water contamination negatively impacting human health and ecosystems.

As part of its regulatory activities of industrial sites, the Ministry issues two types of permits:

- Construction and expansion permits – These permits include requirements for site owners to design and build or expand industrial wastewater systems to properly contain or treat wastewater.

- Operational permits – These permits include requirements for site owners to monitor and report on the containment and/or discharge of wastewater. The Ministry may include wastewater quality standards in operational permits that the owner must meet given the specific nature of contaminants and treatment process.

Where contamination occurs because of industrial site operations, the Ministry requires site owners to submit remediation action plans to mitigate the damage. In addition, prior to beginning operations, the Ministry requires[5] mining site owners to submit reclamation plans along with associated financial assurances.[6] It requires the reclamation plan to show how the owner plans to remediate (i.e., clean up) the site once operations have stopped. It also requires mining site owners to update their reclamation plans and associated financial assurances every five years.

Also, certain industrial sites, including uranium mines and petroleum refineries, are subject to federal regulations for industrial wastewater. Although the Ministry also regulates these industrial sites, it is not responsible for monitoring their compliance with federal laws.

The Ministry carries out its regulatory responsibility through its Environmental Protection Branch. At December 2014, this Branch had 14 Environmental Protection Officers

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[5] Under *The Mineral Industrial Environmental Protection Regulations, 1996*.

[6] A financial assurance can be provided in various forms including cash, a letter of credit from the bank, or a bond issued by a guarantee (insurance) company.

(EPOs). The primary responsibility of the EPOs is to carry out industrial-site regulation duties. In addition, the EPOs carry out other duties such as overseeing the containment and cleanup of hazardous spills. In 2014-15, the Ministry spent about $1.7 million on its industrial regulatory activities (2013-14: $1.7 million).

Ineffective industrial wastewater regulation increases the risk of discharging inadequately treated wastewater into surface water, or its infiltration into groundwater. Saskatchewan residents depend on both surface and groundwater. Water that is contaminated by industrial wastewater may be unsuitable for drinking, recreation, agriculture, and industry. Cleaning up contamination is expensive. For example, the estimated cost to clean up the Mount Polley copper and gold mine tailings pond spill in British Columbia was estimated to be between $50 million to $500 million.[7]

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry had effective processes to regulate industrial wastewater systems. We assessed the Ministry's processes for the 12-month period of January 1, 2014 to December 31, 2014.

We examined the Ministry's policies, procedures, processes, permits, and inspection reports. We tested a sample of permit applications and approvals, interviewed Ministry staff, and attended industrial wastewater system inspections along with Ministry staff.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 2**).

Figure 2—Audit Criteria

Effective regulation of industrial wastewater systems should include processes to:

1. **Permit industrial wastewater system construction/expansions**
   1.1 Set and communicate appropriate requirements for industrial wastewater system constructions/expansions
   1.2 Issue appropriate construction/expansion permits
   1.3 Confirm owners meet construction/expansion requirements
2. **Monitor compliance with wastewater system operational permits**
   2.1 Set and communicate appropriate requirements for operating industrial wastewater systems
   2.2 Issue appropriate operational permits
   2.3 Regularly assess compliance with operational permit terms and conditions
3. **Address and report identified non-compliance**
   3.1 Identify non-compliance
   3.2 Require action on non-compliance
   3.3 Report non-compliance to industrial wastewater system owners, senior management, and the public

We concluded that, for the period of January 1, 2014 to December 31, 2014, the Ministry of Environment had effective processes to regulate industrial wastewater systems except that it needs to:

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[7] www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/imperial-metals-raising-100-million-to-clean-up-bc-spill/article20074754 (30 January 2015).

- **Keep up-to-date records on the frequency of industrial wastewater system inspections**
- **Clearly document the results of each inspection of industrial wastewater systems and prepare annual environmental compliance reports for each higher-risk industrial wastewater system**
- **Provide the public with information on enforcement actions related to its regulation of industrial wastewater systems**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 2.**

5.1 Industrial Wastewater System Constructions and Expansions are Appropriately Permitted

5.1.1 Requirements for Constructing/Expanding Industrial Wastewater Systems Set and Communicated through Permits

The Environmental Management and Protection Act, 2002 (EMPA 2002) and *The Mineral Industry Environmental Protection Regulations, 1996* (MIEPR) make the Ministry responsible for issuing permits for constructing, expanding, or altering industrial sites including industrial wastewater systems. MIEPR applies to mining operations, whereas EMPA 2002 applies to non-mining operations.

By law, companies must apply to the Ministry for permits to construct, expand, or alter industrial wastewater systems. The Ministry's *Industrial Works Construction Application Standards* posted on its website outline application submission requirements consistent with the law. For example, application submissions include: construction or expansion plans and descriptions of the treatment process, industrial runoff drainage information, and the expected concentration of substances being released into the environment. Companies often have an engineer verify the construction or expansion plan and include their report in the submission to the Ministry.

The Ministry has determined that detailed guidance on design standards is not practical given the wide range of industries that generate industrial wastewater in Saskatchewan and the varying environmental risks these industries pose. Rather, we found the Ministry requires industrial site owners to conduct an Environment Impact Assessment (EIA) for new industrial sites (i.e., prior to being built) or sites where substantial expansions are planned.

EIAs require industrial site owners to identify numerous types of environmental risks associated with their future operation, including risks to surface water and groundwater from industrial wastewater. EIAs also require site owners to set out, in writing, how they plan to mitigate the environmental risks through construction design and site operation.

Site owners use engineers to verify that the proposed construction design addresses environmental risks outlined in the EIA.

During 2014, the Ministry received about 45 industrial wastewater construction/expansion application submissions. For each of the five construction/expansion application submissions we examined, we found the submission contained the information required. One application submission we examined was for a new construction; this application included an EIA as expected.

Ministry staff (i.e., Environmental Protection Officers – EPOs) review construction/expansion application submissions to determine whether the proposed design mitigates identified risks. We found the EPOs have post-secondary education in Environmental Science, Natural Science, Engineering or Environmental Studies, and/or have several years of directly-related experience.

When assessing the adequacy of a proposed construction/expansion, EPOs consult applicable guidelines and standards issued by other agencies. For example, when reviewing a design that includes a basic lagoon, the Ministry consults with Water Security Agency staff and their guidelines to determine the adequacy of the design. In the case of plans for potash mine tailings management areas, the Ministry reviews standards set by the Canadian Centre for Mineral and Energy Technology (a research and development arm of Natural Resources Canada).

The Ministry has a policy that gives EPOs authority to approve permits for more standard constructions/expansions and requires management to approve permits for more complex systems. For the five application submissions we examined, EPOs reviewed the submissions and recommended construction/expansions permits in a timely manner (i.e., within three months or less); these permits were appropriately approved.

5.1.2 Constructions/Expansions Built as Planned

If industrial wastewater systems are not built according to the approved plan, there is a risk that inadequately treated wastewater will be released into the environment. To confirm that wastewater systems were built according to the approved plan, the Ministry inspects the new construction, or requires owners to submit "as-built drawings" prepared by engineers after completion of construction/expansion.

We found that, for the five construction/expansion permits we examined, the EPO either received and reviewed an "as-built" drawing, or inspected the new construction on-site. Also, as noted in **Section 5.2**, the Ministry conducts ongoing inspections once industrial sites begin operations.

5.2 Need to Maintain Current Records on Inspection Frequency

5.2.1 Requirements for Operating Industrial Wastewater Systems Set and Communicated through Permits

Similar to municipal wastewater system construction, EMPA 2002 and MIEPR require industrial wastewater system owners to obtain permits from the Ministry to operate industrial wastewater systems and comply with Ministry-issued permits in their operations (operational permits). The Ministry uses operational permits as its main vehicle to communicate its requirements for operating industrial wastewater systems. The Ministry bases operational permit requirements for industrial wastewater on contamination standards (e.g., maximum concentrations of contaminants such as arsenic and uranium) set out in *The Water Regulations, 2002* and MIEPR. In addition, the Ministry may refer to contamination standards developed by the Canadian Council of Ministers of the Environment[8] and the Water Security Agency (*Saskatchewan Surface Water Quality Objectives*) to establish permit requirements.

The Ministry issues operational permits that are generally in force for a five-year period. Because of the variety of industries under regulation in the province, the Ministry determines operating requirements on a site-by-site basis, considering risks outlined in the EIA. Operational permits include clauses that detail how industrial wastewater is to be dealt with (e.g., by using lagoons or treating and discharging to surface water once it meets certain quality standards).

Operational permits also include clauses that detail industrial wastewater monitoring requirements such as monitoring the structural integrity of tailings ponds and contaminant levels in water. They also list detailed reporting requirements (both contents and frequency of reports). Reports typically must include monitoring results, trends and summaries; summaries of any spills or upset conditions[9] during the year; and proposed changes or upgrades to operations. All permits require owners to report at least annually. As further described in **Section 5.3.1**, as the Ministry develops environmental compliance reports, it may need to change permit requirements to place additional monitoring and reporting requirements on industrial site owners.

For each of the 30 operational permits we examined, we found permit requirements were similar within the same industry. All permits we examined described the manner in which to treat the wastewater, included maximum concentration levels for sites discharging into surface water, and required, at minimum, reporting against permit requirements annually. We also found that permits for larger, higher-risk sites required more frequent reporting (e.g., up to quarterly reporting).

The Ministry gives EPOs the authority to recommend, and in limited cases, approve operational permits for industrial wastewater systems; it requires management to approve most operational permits. Requiring a manager's level of approval helps ensure appropriate and consistent operational permit requirements between sites where merited. For each of the 30 operational permits we examined, we found the permits were appropriately approved by an EPO or manager.

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[8] The Canadian Council of Ministers of the Environment is an inter-governmental organization in Canada with members from the federal government, 10 provincial governments, and three territorial governments. Membership is at the ministerial level and meetings typically occur at least annually to discuss national environmental issues.

[9] An upset condition is any abnormal condition, anomaly, or interruption in the treatment process that may have an adverse effect on the quality of water.

5.2.2 Up-to-Date Site Inspection Tracking Needed

EPOs are responsible for assessing compliance with operational permit requirements. The Ministry uses EPOs as its main contact between the industrial site owner and the Ministry. We found that all regulated industrial sites were assigned to a specific EPO. EPOs assessed compliance with operational permit requirements by inspecting industrial sites and reviewing reports required under operational permits.

The Ministry uses a risk-based policy to determine the frequency of site inspections. It annually ranks sites as being a low, medium, high, or extreme risk, depending on factors such as site proximity to environmentally-sensitive areas, public concern, and history of compliance issues. The Ministry plans to inspect:

- Extreme-risk sites at least twice per fiscal year
- Higher-risk sites at least once per fiscal year
- Medium- and low-risk sites once every two to three years

We observed the annual site risk ranking, with mining sites generally ranking higher as they generate more contaminates that can be harmful to ecosystems and human health (see **Figure 1** for the number of extreme- and high-risk sites among industrial operation categories).

For the 30 operational permits we examined, we found the Ministry undertook timely site inspections consistent with its policy. However, for 10 of the permits, Ministry documents that track inspections did not always include the latest inspection dates as compared to the most recent inspection reports. For example, for one permit, the latest inspection date recorded was December 2013, even though the most recent inspection was conducted in November 2014. Without keeping up-to-date records on the frequency of site inspections, management is unable to determine if it conducts industrial wastewater system inspections in a timely manner.

1. **We recommend that the Ministry of Environment keep up-to-date records on the frequency of its inspections of industrial wastewater systems.**

As noted previously, industrial sites are required, at minimum, to submit reports annually. We found that for the 30 operational permits we examined, site owners submitted reports consistent with reporting deadlines set out in their permit.

5.3 Improved Identification of Non-Compliance and Reporting of Enforcement Action Needed

5.3.1 Better Identification of Non-Compliance Needed

The Ministry identifies non-compliance for each industrial site by reviewing reports provided by industrial site owners against permit requirements, and conducting on-site inspections to verify permit requirements. EPOs provide inspection reports to industrial site owners including required actions.

For the 30 inspection reports we examined, we found instances of identified non-compliance ranged from wastewater samples that exceeded permit requirements, inadequate reports (e.g., report did not contain trends of monitoring results), to insufficiently-maintained wastewater infrastructure.

The Ministry does not use a standard inspection checklist for industrial sites because of the unique permit requirements developed for the wide range of industrial sites. The Ministry has a field inspection process policy that requires an EPO to determine the objective of the inspection prior to the inspection. The policy outlines common inspection areas (e.g., tailing management areas) regulated through permit requirements. The Ministry indicated it does not always cover all permit requirements at each on-site inspection due to the size and complexity of sites.

In our review of 30 inspection reports, we found the reports did not always clearly set out what EPOs examined (e.g., what inspection areas were covered) or how industrial site owners performed with respect to each area inspected. For example, in some inspection reports, instead of describing what they examined and found in their inspections (i.e., compliance and non-compliance with permit requirements), EPOs only summarized the actions they required the industrial site owner to take (e.g., undertake a groundwater assessment).

Clearly documented inspections would show what an EPO concentrated on and when each area was last inspected, improve communication of inspection results, and help direct future inspection activities. Without such documentation, the Ministry risks inconsistent system inspections. Also, the Ministry does not know if inspections are covering all permit requirements and sufficiently identifying non-compliance. This is a particular concern for higher-risk sites where potentially undetected permit non-compliance could result in substantial negative impacts to the environment.

2. **We recommend that the Ministry of Environment require its staff to clearly document, for each industrial wastewater system inspected, the results of inspections as compared to the Ministry's permit requirements.**

Rather than requiring interpretation of narrow, specific data trends in reports from industrial site owners, the Ministry has begun to consider broader risk implications of those trends. For example, EPOs are expected to determine whether an industrial site owner has reported sufficient information on whether an industrial site contained impacts to surface water within site boundaries. The Ministry has begun using the development of environmental compliance reports to help determine the impacts of broader issues and trends.

In 2013, EPOs started to complete an environmental compliance report for each higher-risk industrial site in the potash sector. EPOs complete compliance reports based on their reviews of reports received from industrial sites owners. By December 2014, the Ministry had completed compliance reports for 10 higher-risk sites in the potash sector, and shared them with the owners of the respective industrial site(s). Management indicated that it plans to prepare similar reports for other higher-risk industrial sites and to update the completed compliance reports annually.

These reports highlighted areas where site owners need to strengthen their sampling and/or analysis of treated wastewater, and possible changes needed in permit requirements. For example, in our review of the 10 compliance reports for the potash sector, we noted 5 out of 10 potash industrial sites did not provide sufficient sampling results and analysis for the Ministry to know whether the industrial site owner sufficiently contained impacts to surface water within site boundaries. We further noted that the Ministry had started to work with the site owners to have them include this information in the reports they must submit to the Ministry.

At December 2014, although the Ministry indicated that it expects EPOs to prepare environmental compliance reports for each higher-risk industrial site, it had not made this a formal requirement (i.e., it did not have a policy on this matter). Not having such a policy increases the risk that the Ministry may not identify non-compliance with its requirements for sites posing higher risks to the environment. This, combined with inspection reports that do not always clearly document what was inspected and found, increases the risk that the Ministry may not be sufficiently regulating higher-risk industrial sites.

3. **We recommend that the Ministry of Environment require the annual preparation of environmental compliance reports for all higher-risk industrial wastewater systems.**

5.3.2 Action Items Enforced

The Ministry sets out action items in inspection reports to enforce compliance with permit requirements. In certain instances, EPOs set specific deadlines for site owners to complete the action items. In addition to setting action items, the Ministry sometimes includes recommendations to improve operating practices in the inspection reports.

None of the inspection reports we examined indicated ongoing instances of inadequately treated wastewater being released into surface water. We found that for each of the seven inspection reports with action items that we examined, industrial site owners complied with action items by the stated deadlines or the next inspection, or Ministry documentation showed that the owners were actively working towards compliance.

Also, the Ministry has a policy that describes a variety of escalating enforcement tools that it can use to bring industrial site owners into compliance with permit requirements, such as notices of violation, administrative penalties, and court orders. The policy requires senior management to approve notices of violation, administrative penalties, and the decision to seek court orders.

The Ministry maintains a summary list of escalated non-compliance issues. During the year, the Ministry sent one notice of violation for an industrial wastewater site. We found senior management properly approved the notice, and the site owner complied with it.

5.3.3 Public Reporting of Enforcement Action Needed

As previously described, the Ministry did not always explicitly identify non-compliance with permit requirements in its reports to site owners. As explained in **Section 5.3.1**, its inspection reports do not always describe what that the Ministry inspected or found; rather, they set out actions the owner is expected to take. More clearly documenting inspection results against permit requirements and preparing environmental compliance reports for all higher-risk industrial sites (see **Recommendations 2** and **3**) would help ensure the Ministry consistently identifies and reports non-compliance.

As previously noted, where non-compliance is escalated to a notice of violation or administrative penalties, senior management is involved in the process. The Ministry also indicated that it holds informal meetings between managers in the Environmental Protection Branch to discuss regulatory issues and the status of regulatory work. Also, the Ministry produces an annual compliance report for senior management that contains information on hazardous spills at industrial sites.

We found the Ministry's annual reports, for recent years, included information on its regulatory activities – that is, the number of industrial site reports that it reviewed in the year and the total number of inspections completed. It does not include the number and nature of enforcement tools it used (e.g., number of notice of violations issued, administration penalties levied, or court orders sought). This type of information would give the public insight into the results of the Ministry's regulatory activities.

4. **We recommend that the Ministry of Environment provide the public with information on its enforcement actions (e.g., number of notices of violation, administrative penalties levied, court orders sought) related to its regulation of industrial wastewater systems.**

Also, the Water Security Agency periodically publishes the *State of the Watershed Report*. This report provides the public with information on the current health of Saskatchewan's watersheds and activities (e.g., mining) that impact the watersheds. The most recent report was published in 2010.

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Chapter 12
Government Relations—Coordinating Emergency Preparedness

1.0 MAIN POINTS

Emergency management in Canada is a shared responsibility between individuals and each level of government. Emergency management includes four key functions: mitigation, preparedness, response, and recovery. The Ministry of Government Relations (Ministry) is responsible for coordinating, developing, promoting, and implementing policies and programs of the Government of Saskatchewan related to emergency planning (i.e., preparedness), coordination, and services.

The Ministry coordinates with various stakeholders involved in emergency management in Saskatchewan, including provincial government agencies, the federal government, municipalities, First Nations, private sector agencies, and other provincial governments.

In accordance with legislation,[1] the Ministry maintains the *Provincial Emergency Management Plan* (Plan) for the provision of necessary services during an emergency and the procedures for responding to an emergency. The Plan is intended to direct cross-government emergency planning, response, and recovery.

We found that, for the 12-month period ended December 31, 2014, the Ministry had, other than for the following areas, effective processes to coordinate emergency preparedness for emergencies in the province.

The Ministry needs to follow its established process to work with key stakeholders (i.e., certain provincial government agencies) on identifying and updating, each year, assessments of risks of emergencies requiring provincial assistance. It also needs to periodically and formally confirm that emergency management plans of all key stakeholders align with the *Provincial Emergency Management Plan*.

Furthermore, the Ministry needs to give guidance to key stakeholders to help them determine which infrastructure is critical to emergency preparedness for the province overall. It also needs to keep minutes supporting deliberations and decisions of the Provincial Emergency Management Committee.

2.0 INTRODUCTION

The Ministry is responsible for coordinating, developing, promoting, and implementing policies and programs of the Government of Saskatchewan related to emergency planning, coordination, and services.[2] Also, the Ministry of Government Relations is responsible for *The Emergency Planning Act* (Act)[3] and the provincial Emergency Management Organization (EMO).[4] The Act sets out powers and dictates specific responsibilities of the provincial EMO and local authorities (i.e., municipalities) for emergency planning in Saskatchewan.

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[1] *The Emergency Planning Act*.
[2] *The Ministry of Government Relations Regulations*, s. 3.
[3] Order in Council 284/2014 dated June 5, 2014.
[4] Order in Council 506/2014 dated September 24, 2014.

The provincial EMO is part of the Ministry of Government Relations — the Emergency Management and Fire Safety (EMFS) branch. This branch "is responsible for coordinating overall provincial emergency planning, training and response operations for the safety of Saskatchewan residents, and for the protection of property and the environment before, during and after an emergency or a disaster."[5]

This chapter describes the results of our audit of the Ministry's processes to coordinate emergency preparedness for emergencies in the province.

Emergencies in the province can include those that are widespread (i.e., affect multiple communities), cause significant disruption or delay in services, have a definite and potential widespread threat to life, or cause significant damage to infrastructure. Examples of emergencies include natural events such as floods, forest fires, and health epidemics as well as human-caused events such as infrastructure failure or transportation incidents (e.g., train derailments).[6] These emergencies may require support from the provincial government (i.e., one or more of its agencies).

3.0 BACKGROUND

3.1 Emergency Management

Emergency management includes the following four key functions, also referred to as "pillars"—mitigation, preparedness, response, and recovery (see **Figure 1**).

- **Mitigation** includes measures to eliminate or reduce the risks of disasters (e.g., construction of floodways, land use planning, etc.).

- **Preparedness** includes measures taken prior to an event or to be ready to respond to a disaster and manage its consequences (e.g., emergency plans, mutual aid assistance agreements, emergency response training and equipment).

- **Response** includes measures taken during or after an event to manage consequences (e.g., emergency public communication, search and rescue).

- **Recovery** includes measures taken after a disaster to repair or restore conditions to an acceptable level (e.g., reconstruction, providing financial assistance).[7]

Each pillar is interconnected. Mitigation and preparedness occur before an emergency event and are intended to reduce the impact of the event. Response and recovery are initiated after an emergency event has occurred. Lessons learned from response and recovery are normally incorporated into programs for mitigation and preparedness.

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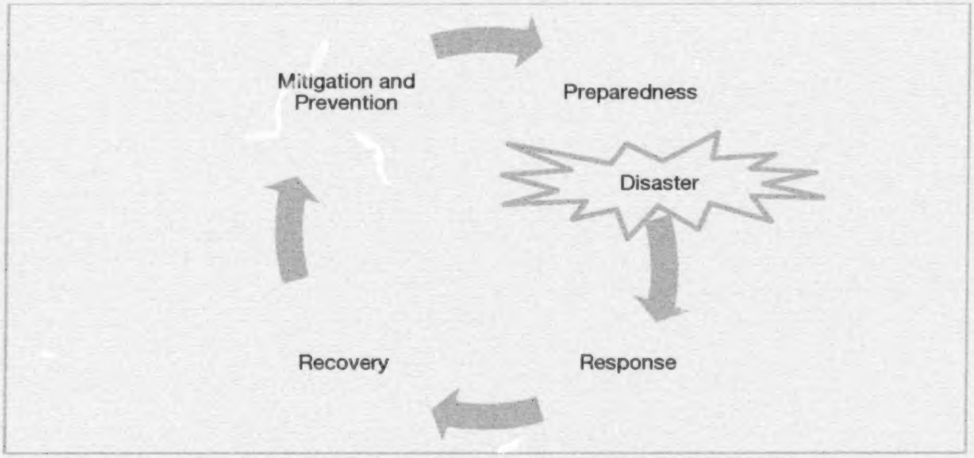
[5] www.gr.gov.sk.ca/Protection-and-Emergency-Services (12 September 2014).
[6] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016.*
[7] Ibid.

Figure 1—Four Pillars of Emergency Management



Source: Adapted from Public Safety Canada, *Emergency Management Planning Guide 2010-2011*, (2011), p. 4.

As shown in **Figure 2**, emergency management in Canada is a shared responsibility between individuals and each level of government.

Individuals are responsible for taking actions to protect themselves and their property. When an emergency is beyond the capacity of individuals to handle, local authorities (i.e., municipalities) are expected to lead the response.

Local authorities are primarily responsible for managing local emergencies. They are responsible for directing and controlling its emergency response. When an emergency is beyond the capacity of local authorities, the provincial government is expected to provide assistance. In Saskatchewan, local authorities are, usually by law, required to establish emergency measures organizations, appoint an emergency measures coordinator, establish an emergency planning committee, and establish a municipal emergency plan (See **Figure 3** for framework for emergency planning established for Saskatchewan local authorities).

Provincial and territorial governments exercise responsibility for emergency management within their respective jurisdictions except where federal legislation allows for direct federal intervention or shared responsibility (see **Figure 3** for framework for emergency planning established for Saskatchewan provincial government — Ministry of Government Relations). If any emergency threatens to overwhelm the resources of a province or territory, or if an emergency has national implications, the federal government may respond to requests for assistance.[8]

The federal government exercises leadership at the national level relating to emergency management responsibilities in its exclusive fields of jurisdiction and on lands and properties under federal responsibility.[9] The federal government has jurisdiction over First Nation lands and is responsible for emergency management on First Nations reserves.[10]

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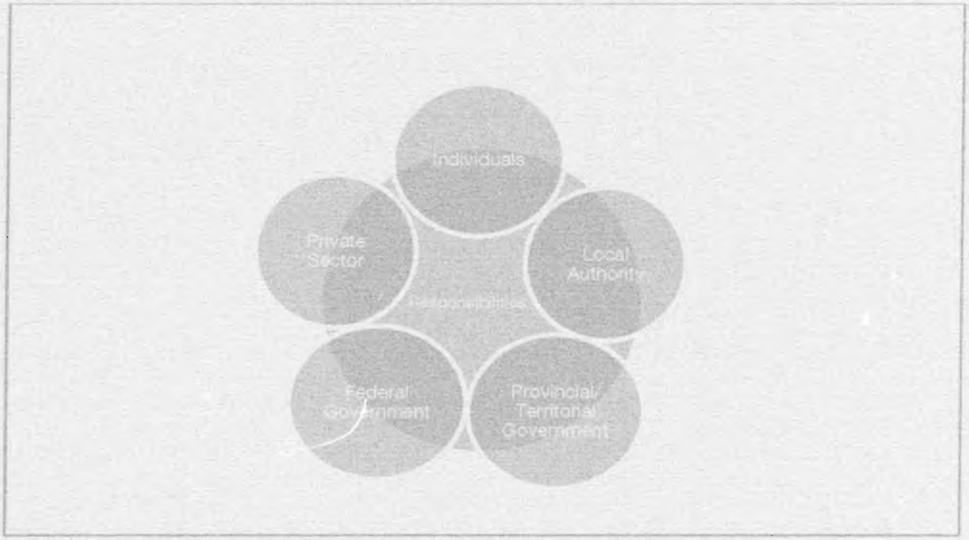
[8] Public Safety Canada, *Federal Policy for Emergency Management*, (2009), p. 1.

[9] Public Safety Canada, *An Emergency Management Framework for Canada Second Edition*, (2011), p. 6.

[10] "Although emergency management is a provincial/territorial responsibility, Aboriginal Affairs and Northern Development Canada has accepted responsibility for supporting emergency management in First Nations Communities." www.aadnc-aandc.gc.ca/eng/1309372584767/1309372634626 (25 November 2014).

Figure 2—Shared Responsibility for Emergency Management



Source: Adapted from Auditor General of British Columbia, *Catastrophic Earthquake Preparedness*, (2014), p. 14.

Most emergencies that occur are local in nature and local authorities manage them.[11] At December 2014, Saskatchewan's almost 800 different municipalities (local authorities) of varying sizes were tasked with managing them.

Provincial Emergency Measures Organizations (EMO) may provide assistance to local authorities when local resources and capabilities are overwhelmed or may soon become overwhelmed during an emergency, or when local authorities request provincial assistance. Even when a local authority requests help from an EMO, the local authority remains in control of its emergency response.

Provincial EMOs take control upon a **provincial** declaration of emergency. The Ministry declares a provincial emergency when an emergency poses a significant widespread threat to human life, property, infrastructure, or the environment. It may seek the assistance of the private sector and others if its resources become overwhelmed.

In Saskatchewan, the EMO is part of the Ministry (see **Figure 3**). As shown in **Figure 5**, the number of local states of emergencies declared each year in Saskatchewan have varied significantly over the last five years from a low of nine in 2012-13 to a high of 67 in 2011-12. To date, the Government of Saskatchewan has never declared a provincial emergency.

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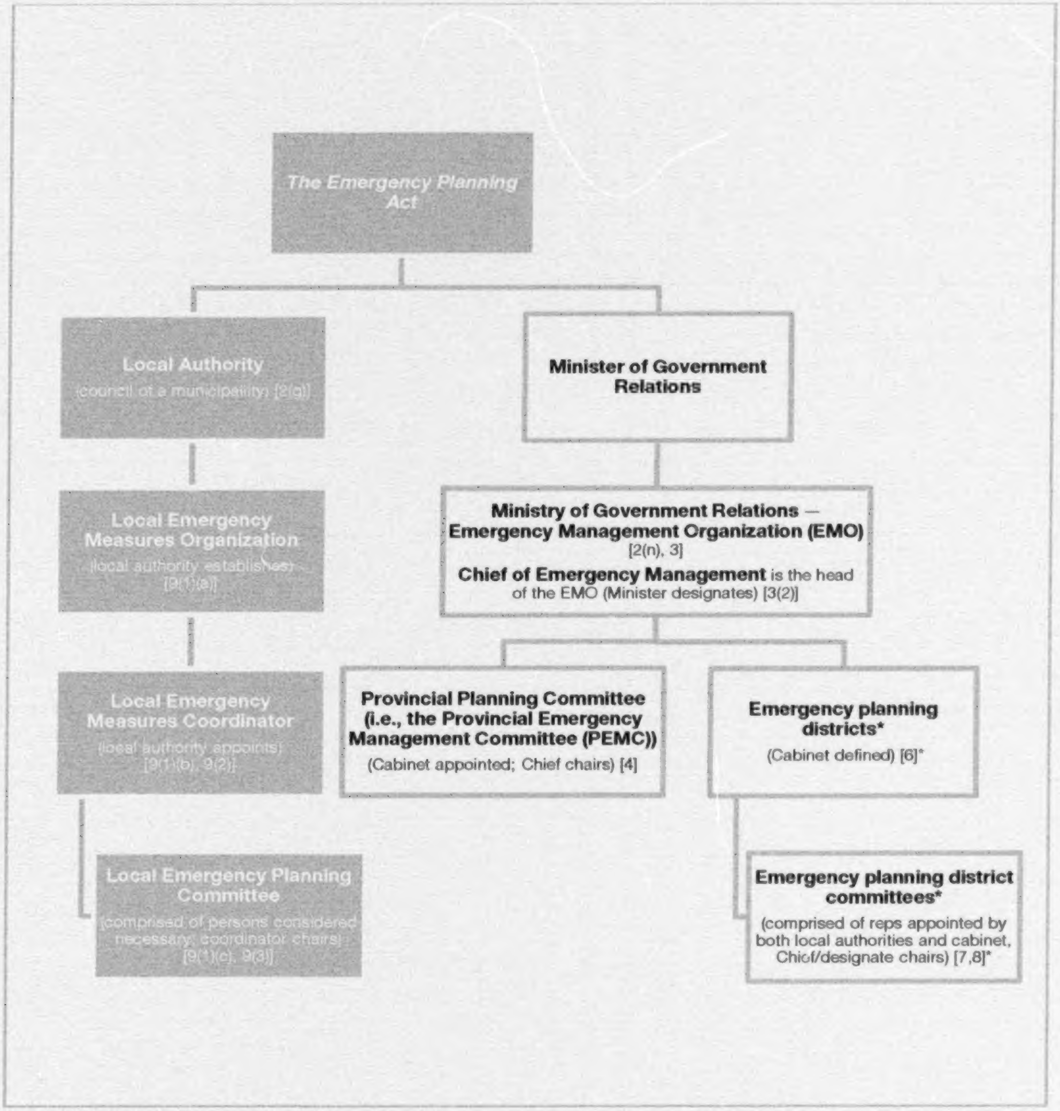
[11] Public Safety Canada, *An Emergency Management Framework for Canada Second Edition*, (2011), p. 3.

Figure 3—Framework Established Under *The Emergency Planning Act*



The Emergency Planning Act
Local Authority
(council of a municipality) [2(g)]
Minister of Government Relations
Local Emergency Measures Organization
(local authority establishes) [9(1)(a)]
Ministry of Government Relations — Emergency Management Organization (EMO) [2(n), 3]
Chief of Emergency Management is the head of the EMO (Minister designates) [3(2)]
Local Emergency Measures Coordinator
(local authority appoints) [9(1)(b), 9(2)]
Provincial Planning Committee (i.e., the Provincial Emergency Management Committee (PEMC))
(Cabinet appointed; Chief chairs) [4]
Emergency planning districts*
(Cabinet defined) [6]*
Local Emergency Planning Committee
(comprised of persons considered necessary; coordinator chairs) [9(1)(c), 9(3)]
Emergency planning district committees*
(comprised of reps appointed by both local authorities and cabinet, Chief/designate chairs) [7,8]*

Source: Adapted from *The Emergency Planning Act*.
* At December 2014, no emergency planning districts or emergency planning district committees were established under *The Emergency Planning Act*. These districts and committees can be set up to organize inter-municipal emergency planning, training, assistance and emergency operations programs.

3.2 Saskatchewan's Emergency Planning Framework

As established in the Act, Cabinet appointed a provincial planning committee (referred to as the Provincial Emergency Management Committee – PEMC) consisting of representatives from 15 provincial agencies (i.e., government ministries, Crown corporations, and agencies) each with key roles in emergency management.[12] See

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[12] Order in Council 350/2010 sets out the current committee members.

Exhibit 7.1 for a listing of agencies represented on PEMC. The Chief of Emergency Management chairs the PEMC (see **Figure 3**).

The Act makes PEMC responsible for preparing the *Provincial Emergency Management Plan* (Plan) for the Minister of Government Relations' approval, including the provision of necessary services during an emergency and the procedures for responding to an emergency.[13] The Plan is intended to direct cross-government emergency planning, response and recovery.

To fulfill its legislative requirements for emergency planning, the Ministry has established a provincial emergency planning governance structure (see **Figure 4**). The structure includes the PEMC as well as other inter-agency committees:

- The Ministers' Committee on Emergency Management (MCEM) serves as an advisory body to Cabinet and the Minister of Government Relations and provides support, as may be required, to the Minister of Government Relations in carrying out responsibilities of the Act. The MCEM meets on an ad hoc basis during emergency situations and includes ministers responsible for provincial ministries/agencies impacted by the emergency.

- The Deputy Ministers' Committee on Emergency Management (DMCEM) is a forum for discussion to assist in developing a Plan in relation to any emergency or disaster that may threaten the safety of Saskatchewan residents. The DMCEM is responsible for ensuring that policy decisions regarding multi-ministry, Crown corporation and agency concerns and actions are coordinated at the appropriate level. DMCEM consists of Deputy Ministers responsible for the agencies listed in **Exhibit 7.1**.

- The Emergency Operations Advisory Council (EOAC) is a forum for discussion related to business continuity and emergency management issues and policies. The responsibilities of the EOAC include monitoring and evaluating changes in emergency practices, standards and legislation, assisting with the development and maintenance of the Plan, and identifying, evaluating and monitoring current and emerging emergencies or disasters and their potential implications for the government.[14] It includes representatives from 16 ministries, nine Crown corporations, nine Treasury Board Crown agencies, the RCMP, Public Safety Canada, and the federal Department of National Defence – Domestic Operations. See **Exhibit 7.2** for listing of agencies represented on EOAC.

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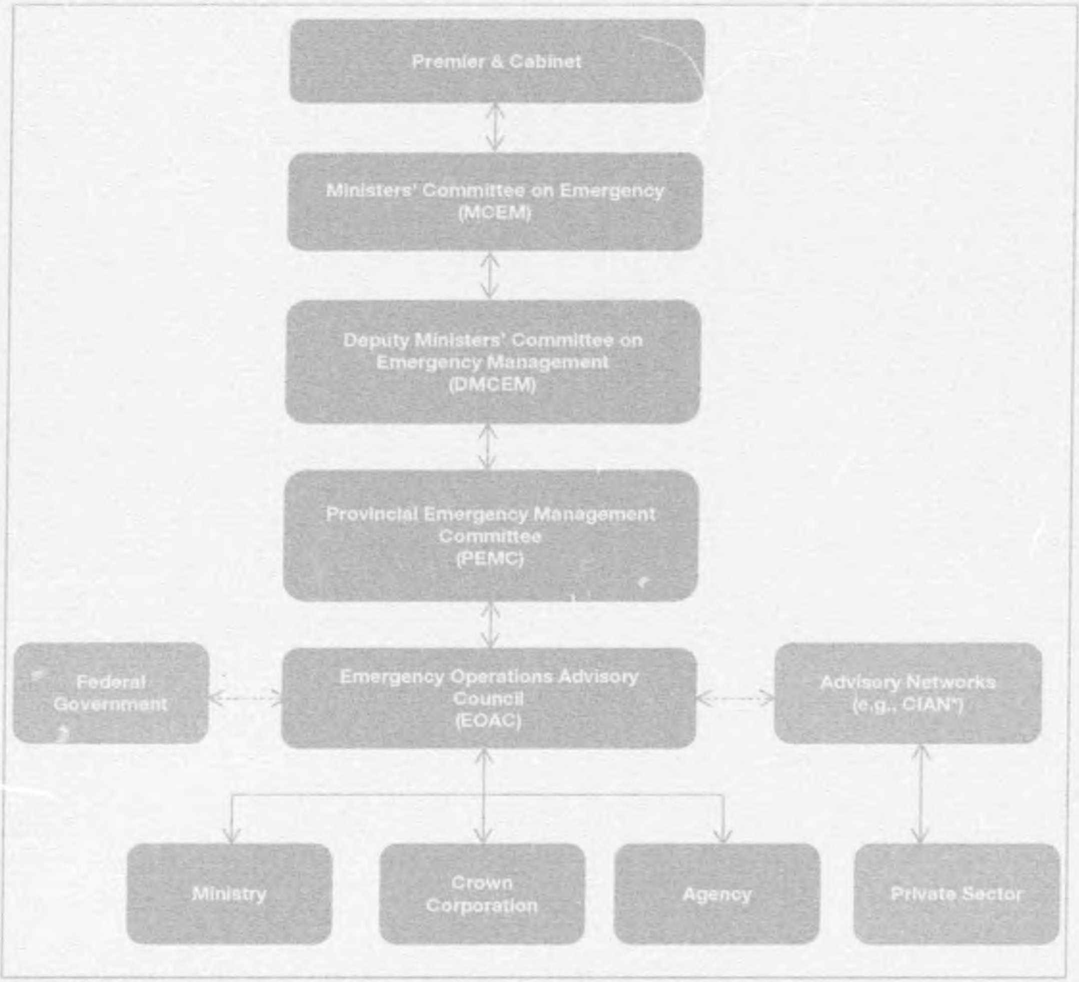
[13] *The Emergency Planning Act*, s.13.

[14] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 2.5.1.

Figure 4—Provincial Emergency Planning Governance Structure and Relationship to Other Stakeholders (in gray cells)


Premier & Cabinet
Ministers' Committee on Emergency (MCEM)
Deputy Ministers' Committee on Emergency Management (DMCEM)
Provincial Emergency Management Committee (PEMC)
Federal Government
Emergency Operations Advisory Council (EOAC)
Advisory Networks (e.g., CIAN*)
Ministry
Crown Corporation
Agency
Private Sector

Source: Provincial Emergency Management Plan, Figure 2.1.
*CIAN refers to Critical Infrastructure Advisory Network. See **Section 5.3.2**.

3.3 Importance of Emergency Preparedness

As previously noted, emergency preparedness refers to measures taken prior to an event to be ready to respond to a disaster and manage its consequences (e.g., emergency plans, mutual aid assistance agreements, emergency response training and equipment, etc.). Effective emergency preparedness coordination includes coordinating preparedness with other provincial government agencies, as well as consultation and cooperation with other stakeholders such as the federal government, other provinces, municipalities, First Nations, and the private sector.

Emergency preparedness is important because the frequency and severity of emergencies (e.g., floods, forest fires, disease outbreak, train derailments) around the world has increased in recent years.[15] Saskatchewan has experienced variability in the frequency and severity of emergencies in recent years. The cost associated with emergencies can be expensive for the Government of Saskatchewan as it provides assistance to those affected (see **Figure 5**).

Figure 5—Provincial Disaster Assistance Program, EMFS Expenses and the Number of Local States of Emergency Declarations

Fiscal Year	Provincial Disaster Assistance Program (PDAP) Expenses (in millions)*	Emergency Management and Fire Safety (EMFS) Expenses (in millions)*	Number of Local State of Emergencies Declared**
2013-14	$ 46.8	$ 7.3	32
2012-13	72.6	4.7	9
2011-12	157.1	10.0	67
2010-11	48.2	4.4	17
2009-10	10.4	3.3	11
Total* **	**$ 335.1**	**$ 29.7**	**136**

*Source: *Public Accounts Volume 2* 2009-10 to 2013-14. PDAP expenses include expenses related to flood damage and other disasters; flood damage makes up most of the expenses. EMFS expenses include costs for responding to emergencies including emergency management staff.
**Source: Ministry of Government Relations records in December 2014.
***At December 2014, information was not yet available for 2014-15.

During 2014, the Ministry's Emergency Management and Fire Safety branch (EMFS) provided assistance related to the following emergencies in Saskatchewan:

- Flooding – Numerous areas of the province experienced flooding due to severe summer storms. Heavy rains at the end of June brought record-breaking amounts of rain to some communities, especially in the southeast of the province (e.g., Crooked Lake, Round Lake, and Last Mountain Lake)

- Train derailment – A freight train hauling dangerous goods derailed east of the community of Clair in October. One train car carrying petroleum products burned.

- Natural gas fire – An explosion and natural gas fire occurred at an underground natural gas storage facility near the village of Prud'homme in October.

- Grass fire – A large grass fire near the Town of Kindersley threatened a communications tower in October.

Predicting when or where emergency events will occur is difficult because they happen suddenly and without warning. As a result, the province always needs to be prepared for a variety of different emergency situations. Having effective processes to coordinate emergency preparedness will help the government respond to emergencies in the province in a timely, efficient, and coordinated manner. This can help reduce the human and financial impact of emergencies and support the recovery process.

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[15] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 2.1.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry of Government Relations had effective processes to coordinate emergency preparedness for emergencies in the province for the 12-month period ended December 31, 2014.

We focused our audit on the Ministry's role in coordinating emergency preparedness for the province, including the *Provincial Emergency Management Plan*. We did not examine the specific emergency plans of other provincial government agencies or local authorities (i.e., municipalities).

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on related work and reviews of literature including reports of other auditors, and consultations with management. Management agreed with the criteria (see **Figure 6**).

We examined the Ministry's processes to coordinate emergency preparedness by interviewing Ministry management responsible for emergency preparedness and reviewing related documentation (including the *Provincial Emergency Management Plan*, risk assessments used in developing the Plan, guidance provided to government agencies and communications with stakeholders).

Figure 6—Audit Criteria

1. **Establish a provincial emergency management framework**
    - 1.1 Agree upon roles and responsibilities of key stakeholders (e.g., provincial government agencies, the federal government, municipalities, and First Nations)
    - 1.2 Promote a common approach to emergency management including the adoption of standards and best practices
    - 1.3 Align emergency management framework with legislation
2. **Assess risk of hazards that impact the province**
    - 2.1 Work with key stakeholders to identify risks
    - 2.2 Evaluate risks (e.g., probability, impact)
    - 2.3 Prioritize risks based on the assessment
3. **Prepare a risk-based provincial emergency management plan**
    - 3.1 Establish a planning cycle
    - 3.2 Coordinate with key stakeholders to prepare a risk-based plan
    - 3.3 Require alignment of key provincial government agencies' emergency plans with the provincial plan
    - 3.4 Identify resources required (financial and human resources, training, equipment)
    - 3.5 Establish coordinated system for public communication
    - 3.6 Obtain Ministerial approval of the plan
4. **Test key components of the provincial emergency management plan**
    - 4.1 Coordinate with key stakeholders to periodically test key components of the plan
    - 4.2 Regularly review and update the plan (e.g., incorporating lessons learned from past emergencies and results of testing exercises)

We concluded that, for the year ended December 31, 2014, the Ministry of Government Relations had, other than for the following areas, effective processes to coordinate emergency preparedness for emergencies in the province. The Ministry needs to:

- **Keep minutes supporting deliberations and decisions of the Provincial Emergency Management Committee**

- **Follow its established process to work with key stakeholders on identifying and updating, each year, assessments of risks of emergencies requiring provincial assistance**

- **Provide key stakeholders responsible for key infrastructure in Saskatchewan with guidance to help them determine which infrastructure is critical to emergency preparedness for the province overall**

- **Periodically and formally confirm that emergency management plans of all key stakeholders align with the Provincial Emergency Management Plan**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in italics, our key findings, and related recommendations.

5.1 Provincial Emergency Management Framework Established

We expected the Ministry to identify key stakeholders and agree upon emergency management roles and responsibilities with those stakeholders. The Ministry would use standards and best practices to develop its emergency management framework. The framework would align with the requirements set out in relevant legislation (i.e., The Emergency Planning Act*). The Ministry would communicate its emergency management framework to stakeholders and provide advice and assistance to them, as needed, to assist in their emergency planning process.*

5.1.1 Stakeholder Identification

The Ministry has identified various stakeholders involved in emergency preparedness in the province, some of whom are key to its emergency preparedness. It considers nine provincial agencies (i.e., the Ministries of Environment, Government Relations, Health, Highways and Infrastructure, and Social Services, SaskEnergy, SaskPower, SaskTel, and Water Security Agency) as key stakeholders for the purposes of provincial emergency preparedness including the preparation of the Provincial Emergency Management Plan. As such, the Ministry actively coordinates with and engages them in its emergency preparedness activities as described later in this section.

Other stakeholders that it has identified include the federal government, municipalities, First Nations, and others (e.g., private sector agencies such as the Canadian Red Cross, other provincial governments). For these other stakeholders, the Ministry undertakes various measures as described later in this section so that each party's roles and responsibilities in relation to emergency preparedness are clearly understood.

Certain Provincial Government Agencies – Key Stakeholders

A provincial emergency planning Cabinet directive approved in February 1986 and updated in November 1999 originally set out the roles and responsibilities of the key stakeholders. The directive sets out general planning-related responsibilities for these key stakeholders. Roles and responsibilities include requirements to appoint an emergency planning officer (EPO), assess risk, prepare and maintain an agency-specific emergency plan, coordinate plans with others, advise local officials regarding municipal emergency plans, participate in testing exercises, and annually meet with the Ministry to review roles and responsibilities. The directive also sets out more directed roles and responsibilities for response activities (e.g., types of resources key stakeholders will provide during emergencies, types of emergencies the agency will take the lead on, etc.) for each key stakeholder as they relate to their mandate. These roles and responsibilities are now included in *The Provincial Emergency Management Plan* for 2013-2016 (Plan). We found that the Cabinet directive is aligned with the Plan and both align with the Act.

Ministry management indicated that the roles and responsibilities of the key stakeholders are updated through discussions at EOAC meetings. As part of this process, each key stakeholders' EOAC member (i.e., EPO) is asked to provide confirmation of his/her agency's roles and responsibilities.

We observed evidence that EOAC and PEMC members provided agreement with their agency's roles and responsibilities in 2012 when the Plan was prepared. However, we were not able to see evidence of roles and responsibilities being discussed at any meetings in subsequent years because neither EOAC nor PEMC keep minutes of their meetings. We saw evidence that the Ministry actively updates the Plan for changes to roles and responsibilities of key stakeholders. For example, the 2014 Plan amendments, communicated to all EPOs, included such changes. However, without documentation of its meetings, we could not verify that the PEMC deliberated on or approved these amendments.

It is important for committees charged with making decisions to keep a record of those decisions. Minutes provide documentation of decisions made and the relevant deliberations leading to the decision. The PEMC is the key committee responsible for making decisions related to the Plan (the EOAC, MCEM, and DMCEM are used as forums for sharing emergency management information).

1. **We recommend that the Ministry of Government Relations require the Provincial Emergency Management Committee to keep minutes documenting its deliberations and supporting its decisions.**

Federal Government – Other Stakeholder

As previously noted, provincial and territorial governments exercise responsibility for emergency management within their respective jurisdictions. As such, the federal government does not have an active role in provincial emergency preparedness unless a province requests federal assistance (and as a result is not considered a key stakeholder). The federal government is involved with managing certain critical infrastructure, which is discussed further in **Section 5.3**.

In 2011, the Minister along with other provincial/territorial governments signed an Emergency Management Framework with the federal government. This framework sets out the roles and responsibilities of the federal government and the provincial/territorial governments.[16] At December 2014, the Ministry and other provincial/territorial governments were working with the federal government on specific protocols to obtain federal assistance (e.g., financial resources, military support).

Municipalities (Local Authorities) – Other Stakeholder

Because the roles and responsibilities of municipalities vis-à-vis those of the provincial government is defined in provincial legislation, the Ministry does not need to seek their agreement on roles and responsibilities.

The Ministry recognizes the need for municipalities to have the capacity and skill sets to effectively respond when emergencies occur within their municipality. It knows that the level of preparedness of each municipality can directly impact the Ministry's emergency planning (if a municipality is not prepared it is more likely the provincial government will be asked to assist). As such, the Ministry regularly offers and provides municipalities with guidance/training on emergency planning to help foster better emergency preparedness at the municipal level. Furthermore, it recognizes the size and capacity of municipalities vary significantly in Saskatchewan (e.g., some municipalities have populations less than 100 whereas others have populations over 200,000). The Ministry generally provides guidance/training to communities most in need (i.e., those that have limited capacity). Through this guidance/training, the Ministry obtains an understanding of whether municipalities are aware of and understand their legislated role.

We observed that Ministry communications with municipalities were designed to help them understand their roles and responsibilities. For example, we observed evidence that the Ministry held periodic information sessions with municipalities to discuss emergency planning.

First Nations – Other Stakeholder

Similar to municipalities, the Ministry recognizes that the level of preparedness of First Nations can directly impact the Ministry's emergency planning. As previously discussed, the federal government has responsibility for emergency management for First Nations. At February 2015, the Ministry and the federal government were working on an agreement to formalize the Ministry's provision of emergency management services (e.g., providing public safety training and fire safety programs) for First Nations and the federal government's funding of such services. Similar to municipalities, the Ministry provides First Nations with guidance/training on emergency planning to help foster better emergency preparedness.

Other Organizations (Including the Private Sector) – Other Stakeholder

The Ministry may request assistance from other stakeholders (e.g., Canadian Red Cross, police services, and other provinces) if its own resources are overwhelmed. The Ministry is aware that certain key provincial government agencies have agreements with these other organizations as part of their emergency plans (e.g., the Ministry of Social Services has an agreement with the Canadian Red Cross). In addition, to facilitate the ability to seek assistance from other provinces expeditiously, in 2011, Saskatchewan along with all other provinces/territories signed a Memorandum of Understanding (MOU) for the provision of inter-jurisdictional emergency management assistance. The MOU clearly sets out the responsibilities of each province/territory. In addition, at December 2014, the provinces/territories had draft standard operating procedures for how to request assistance.

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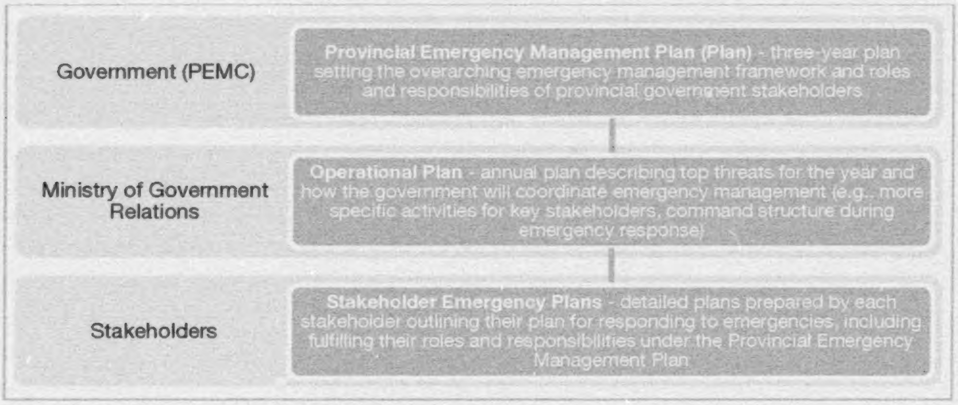
[16] Public Safety Canada, *An Emergency Management Framework for Canada Second Edition*, (2011), p. 4.

5.1.2 Emergency Management Framework

The Ministry uses the *Provincial Emergency Management Plan* (Plan) to document its emergency management framework (see **Figure 7**). In addition to the Plan, annually, the Ministry maintains an Operational plan which contains more detail (e.g., logistics of deploying and repositioning supplies).

Figure 7—Hierarchy of Emergency Plans and Responsibility for Preparation



Government (PEMC)	**Provincial Emergency Management Plan (Plan)** - three-year plan setting the overarching emergency management framework and roles and responsibilities of provincial government stakeholders
Ministry of Government Relations	**Operational Plan** - annual plan describing top threats for the year and how the government will coordinate emergency management (e.g., more specific activities for key stakeholders, command structure during emergency response)
Stakeholders	**Stakeholder Emergency Plans** - detailed plans prepared by each stakeholder outlining their plan for responding to emergencies, including fulfilling their roles and responsibilities under the Provincial Emergency Management Plan

Source: Provincial Auditor of Saskatchewan (March 2015).

The Ministry undertakes a comprehensive update of the Plan every three years. The last such update was in 2012. As part of this update, the Ministry researched best practices, reviewed the emergency plans of other jurisdictions (e.g., provincial and federal plans), and used practice guides provided by the federal government and Australia. Also, it used Alberta's emergency plan as guidance to develop the Plan.

We compared the contents of the Plan to certain emergency management practice guides (i.e., *Emergency Management in Australia—Concepts and Principles, Public Safety Canada's Emergency Management Planning Guide 2010-11*) and certain other jurisdictions (i.e., Canada's *Federal Emergency Response Plan, Alberta Emergency Plan*). We found the provincial Plan to be generally consistent with these guides and other jurisdictions' plans. When we compared the Plan to legislative requirements outlined in the Act, we found it establishes the positions and committees the Act requires (see **Figure 3**) and the duties and responsibilities of each were consistent with those specified in the Act.

The Ministry uses numerous methods to communicate the Plan to its key and other stakeholders. This includes sharing and discussing the Plan with key stakeholders through the EOAC. For Plan amendments, it sends a copy of them to all EOAC members. The Ministry provides materials to assist provincial government agencies in preparing their emergency plans. It discusses emergency planning and preparedness at PEMC and EOAC meetings.

The Ministry offers the *Nine Steps for Emergency Plan Development* program – a public safety program. Through this program it makes available, on its website, a guide for preparing emergency plans called *Nine Steps for Emergency Plan Development*[17] and a DVD. This guide along with the DVD includes detailed information on how to prepare, implement, and maintain a local emergency plan.

It offers various courses and workshops to the municipalities, First Nations, and the public related to emergency management (i.e., basic emergency management, emergency operations centre, incident command systems, and *Nine Steps for Emergency Plan Development* workshop).[18] It maintains, on its website, a calendar of emergency management courses that identifies when and where the courses are available. The courses vary in length from a half day to 1.5 days; its workshop is a half day.

The Ministry also holds public information sessions to inform municipal and First Nations representatives about the Plan. It provides these sessions on an ad hoc basis when it expects a community and surrounding area to face challenges from a specific threat. For example, in March 2014, it held sessions in Saskatoon, Battlefords, and Prince Albert to help the regions prepare for the threat of higher than normal water levels. Topics presented at recent sessions related to risk assessment, planning for emergencies, and a review of the role of municipalities and the province. It makes copies of the Plan available to stakeholders upon request. The Ministry expects to make the Plan publicly available (i.e., on its website) in 2017.

It does not formally communicate the Plan to the federal government. Rather, the Ministry discusses various aspects of the Plan through its participation in national emergency management conferences. At December 2014, the Ministry's Chief of Emergency Management was the co-chair of a federal-provincial committee on emergency management.

5.2 Updated Risk Information Needed

We expected the Ministry to have an established process to identify risk of hazards that impact the province, including both natural and human-caused events (all-hazards approach). The Ministry would work with key stakeholders to identify, evaluate, and prioritize risks.

The Ministry outlines its risk assessment process in the Plan. The process requires an annual identification of hazards and risk assessments based on the "probability of a hazard occurring and the impact of that occurrence". The Ministry, working with its key stakeholders, assesses probability "through historical occurrences and through a risk intelligence process that accesses the hazard data through the appropriate agency".[19]

The Plan requires its key stakeholders (i.e., the nine bolded provincial government agencies listed in **Exhibit 7.1**) to assess risk thresholds annually. Then, the Ministry is to compile and evaluate these results on a province-wide basis. The risks are to be evaluated based on probability and impact to determine emergency preparedness requirements. The overall assessment is then presented to the DMCEM on an annual basis in the Operational Plan (see **Figure 7**).

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[17] www.saskatchewan.ca/~/media/files/government%20relations/emfs/nine%20steps%20for%20emergency%20plan%20development-201403.pdf (March 2015).
[18] www.saskatchewan.ca/live/public-safety-protection-and-emergency-services/additional-public-safety-resources/emergency-management-course-descriptions (17 March 2015).
[19] Ministry of Government Relations. *Provincial Emergency Management Plan 2013-2016*, s. 2.5.1.

We found that the Ministry, in 2012, worked with key stakeholders to prepare a three-year provincial emergency management plan. When preparing the 2013-16 Plan, it worked with key stakeholders to identify, evaluate, and prioritize risks. The risk assessment included an assessment of the likelihood, severity, and potential impact of each risk. The assessments were documented on a risk matrix that allowed for comparison of risks. When assessing risks, the Ministry also consulted experts where considered necessary (e.g., meteorologists, engineers).

However, the Ministry did not follow its documented risk assessment process on an ongoing basis (i.e., annually) as the Plan contemplated. Rather, each year since 2012, the Ministry prepared an Operational Plan. The Operational Plan identifies some potential threats and outlines where the Ministry intends to focus emergency preparations during the year. As part of preparing the annual Operational Plan, the Ministry indicated that it informally gathered some updated risk information from key stakeholders (e.g., through EOAC and PEMC meetings). However, we were unable to see evidence of such because, as noted in **Section 5.1**, these Committees do not keep minutes of their meetings.

We found that the *2014 Operational Plan* included three of the higher-level risks from the 2012 assessment (i.e., flooding, fire, extreme weather). For the first two risks, we saw that the Ministry received some updated information on these risks from key stakeholders. However, for the remaining risks identified in the 2012 Plan (e.g., IT failure/cyberattack, prolonged power outage, pandemic, terrorist activity), the Ministry did not confirm with key stakeholders the continued appropriateness of the 2012 assessment of these risks.

Also, it did not compile and evaluate such assessments on a province-wide basis each year. Without such information, the Ministry may not be aware of any emerging risks or significant changes in risk exposure and as such, preparedness activities may not address these risks.

2. **We recommend that the Ministry of Government Relations follow its established process to work with key stakeholders on identifying and updating, each year, assessments of risks of emergencies requiring provincial assistance.**

5.3 Alignment of Key Stakeholders' Emergency Management Plans with the Provincial Plan Needs to be Confirmed

We expected the Ministry to prepare a risk-based provincial emergency plan based on an established planning cycle and obtain the Minister's approval of the plan. It would have a mechanism to coordinate with key stakeholders to gather input to incorporate into the plan, including identifying critical infrastructure in Saskatchewan. The Ministry would require, and periodically confirm, that key provincial government agencies' have detailed *emergency management plans that align with the provincial plan. The Ministry would identify resources required to execute the plan and assess current resources available to determine gaps. It would establish systems to communicate with key stakeholders and the public when an emergency occurs.*

5.3.1 Risk-Based Emergency Management Plan

As previously noted, when developing the 2013-16 Plan, the Ministry conducted a risk assessment and prepared a three-year provincial emergency management plan. The Plan requires the Ministry to complete an annual review of the Plan and a more comprehensive review of the Plan every three years.[20] The PEMC has delegated the task of completing the annual review to the EOAC. The Deputy Minister of Government Relations approved the plan amendments in October 2014 resulting from the latest annual review. The next three-year review is due to occur in 2015.

Consistent with the requirements of the Act,[21] the Deputy Minister of Government Relations approved the Plan (and the 2014 amendments) on behalf of the Minister of Government Relations.

5.3.2 Key Stakeholder Coordination

The Ministry used EOAC meetings and PEMC meetings to gather input from key stakeholders. For example, each Committee used lessons learned to consider the effectiveness of the Plan when it was activated during actual emergencies.

The Plan defines critical infrastructure as stand-alone (e.g., dam) or interconnected and interdependent (e.g., power grid) within and across provinces, territories and national borders.[22] The Ministry has defined critical infrastructure as processes, systems, facilities, technologies, networks, assets and services essential to the health, safety, security or economic well-being of citizens and the effective functioning of society.

The Plan sets out 10 different critical infrastructure sectors (e.g., food, water, transportation, health care) and sub-sectors (e.g., for transportation – surface, air, and rail). The Plan expects the providers of such infrastructure to have current emergency plans and business continuity plans. These critical infrastructure providers can be provincial government agencies (e.g., SaskPower) or private sector agencies (e.g., Enbridge Pipeline).

The Ministry has established a forum, called the Saskatchewan Critical Infrastructure Advisory Network (CIAN) (see **Figure 4**), to collectively share information regarding critical infrastructure with the ultimate objective of enhancing the resilience of critical infrastructure to various emergency events. The CIAN is composed of 118 members from 56 different organizations (about 50% private sector, 36% government [federal, provincial and municipal], and 14% law enforcement and security intelligence community). The CIAN presumes members will need to share appropriate threat, risk, situational, and response information quickly and quietly before, during, and after a crisis.[23]

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[20] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 7.4.
[21] *The Emergency Planning Act*, s.13(a)(i).
[22] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 3.3.1.
[23] Ministry of Government Relations, *Critical Infrastructure Advisory Network Strategic Plan 2013-2018*, p. 4.

The Ministry uses CIAN to keep aware of which government and private sector agencies are responsible for critical infrastructure, and the general status of each of these organizations' level of emergency preparedness. Public Safety Canada (PSC) administers a program to review business processes of organizations responsible for critical infrastructure. Under this program, CIAN members can voluntarily request a review of their critical infrastructure assessments through PSC. Through this program, the Ministry may assist and provide input to PSC during its review. As of February 2015, the Ministry has assisted PSC on 24 reviews of operators of critical infrastructure in Saskatchewan, including those of SaskEnergy and SaskPower – two of its key stakeholders.

We found the Ministry has not provided key stakeholders with guidance on how to determine which assets or facilities are critical to emergency preparedness at a provincial level. An individual organization's plans would identify infrastructure critical to the organization's operation, but such infrastructure may not be critical to emergency preparedness at the provincial level. For example, electrical power is identified as critical infrastructure in the provincial Plan. The Ministry has not provided SaskPower with guidance to help determine which power generation stations (e.g., coal power plants, hydro-electric dams) or transmission lines are critical to emergency preparedness for the province overall.

Lack of guidance may result in inconsistent decisions about what infrastructure is critical to the province overall and insufficient emergency plans of individual agencies. This may lead to ineffective deployment of resources during a provincial emergency.

3. **We recommend that the Ministry of Government Relations provide key stakeholders responsible for key infrastructure in Saskatchewan with guidance to help them determine which infrastructure is critical to emergency preparedness for the province overall.**

Through their involvement on the PEMC, key stakeholders are aware of when, and for what risks, they are required to prepare detailed emergency plans.

The Act dictates that the Minister of Government Relations shall approve the procedures under and the manner in which the government will respond to an emergency.[24] However, beyond general awareness the Ministry gains through lessons learned from activation of emergency plans and its involvement on CIAN, the Ministry does not have a process to confirm that key stakeholders have prepared emergency plans and that those plans align with the provincial Plan.

Without periodically confirming (e.g., during the comprehensive review of the provincial Plan or formal consideration during the annual lessons learned process) that key stakeholders' emergency plans exist and align with the provincial Plan, the Ministry cannot know whether key stakeholders are prepared to effectively deliver on the roles they have been assigned in the Plan during an emergency. Also, misalignment would increase the risk that key stakeholder response to emergencies will be ineffective.

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[24] *The Emergency Planning Act*, s. 5(a)(ii).

4. We recommend that the Ministry of Government Relations periodically and formally confirm that emergency management plans of all key stakeholders align with the Provincial Emergency Management Plan.

5.3.3 Resources

The Plan includes a high-level discussion of the types of resources each key provincial agency must provide in the event of an emergency. It makes those agencies responsible for determining and acquiring the necessary resources. For example, the Plan identified that the Ministry of Environment will provide specialty equipment including aircraft, radio, and pollution monitoring equipment as required. The Ministry of Environment is responsible for determining and acquiring the specific number and type of resources required.

For certain resources the Ministry provides (e.g., sandbags, sandbagging machines, flood barriers, etc.), it tracks them using an electronic asset management system (FDM). FDM sets out the quantity and location of all Ministry-owned assets and inventory. The Ministry set thresholds within the FDM to notify staff when to reorder stock of a particular resource whose quantity is low.

We found that, on an annual basis as part of its budget development process, the Ministry assessed its human resources and capital equipment resources to identify gaps, if any, in the Ministry's ability to meet its responsibilities under the Plan. It had mechanisms in place to seek additional budget resources when emergencies occurred. For example, in 2013, the Ministry requested and received additional resources for increased emergency response capacity as set out in the *12-13 Supplementary Estimates – November*.

The Ministry maintains a training plan for Ministry staff and government agency EPOs. The training plan identified the courses available, who should receive the training, and who else could benefit from receiving training (e.g., municipal leaders). The Ministry provides basic emergency management training for Emergency Planning Officers (EPO) every two years. We found that the Ministry provided emergency management training to stakeholders (provided to EPOs in 2013).

The training plan also provided a description of training available to municipalities; as previously noted, the Ministry uses its website to make these descriptions readily accessible to municipalities and the public. During 2014, the Ministry provided emergency management training to 240 individuals from 14 different communities and one First Nation.

5.3.4 Communication

The Ministry uses a public education program to promote safe practices and educate individuals on emergency preparedness and awareness. In 2014, the program included safety messages delivered to stakeholders (and posted on the Ministry website), informational materials (e.g., brochures and promotional items) provided upon request, and a resource library of materials available to stakeholders.

During an emergency, the frequency and form of communication between the Ministry and stakeholders depends on the nature of the emergency (complexity, magnitude, etc.). The Ministry has numerous communication options available that operate on different communication systems. These options include telephones, radio systems,[25] emails, and satellite phones. With multiple communication options available, the Ministry is always able to communicate even if one or more systems are damaged by the emergency event. For example, the Ministry can use its radio system or satellite phones if telephone and Internet access is disrupted.

When stakeholders have information pertaining to real (e.g., a forest fire is destroying property in a municipality) or imminent (e.g., a forest fire is forecasted to impact a municipality) emergencies in the province, the Plan clearly states it is their responsibility to provide that information to the Ministry to facilitate efficient and effective coordination of communication to the other stakeholders.

The Ministry informs other stakeholders of an emergency event through situation alerts to all EPOs (generally sent by email).[26] These alerts indicate that the Ministry is collecting information about the situation for assessment purposes and may contact stakeholders to coordinate a response to the emergency. For more significant emergency events, the Ministry holds operation calls to collect information and initiate response activities.

The Ministry has implemented standard communication processes to update key stakeholders on a daily basis during an emergency.[27] It uses daily situation reports for this purpose. Through communication with stakeholders, the Ministry prepares incident action plans including assigning key responsibilities.

Also, the Ministry informs the public about emergencies during regularly-scheduled media briefings. The Ministry coordinates the media briefings and involves key stakeholders so the public is provided with information about the emergency from one source. The Ministry keeps copies of situation alerts and incident action plans and prepares reports summarizing each emergency event.

We reviewed communications (i.e., situation alerts, daily situation reports, incident action plans, scheduled media briefings) from one of the four emergencies where the Plan was activated during 2014. We observed evidence of communication with stakeholders and the public as expected.

5.4 Provincial Emergency Management Plan Tested

We expected the Ministry to establish and document requirements for periodic testing of key components of the plan. It would coordinate with key stakeholders to periodically test key components of the Plan. Based on lessons learned from test exercises and past emergencies, the Ministry would update the plan as needed.

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[25] Ministry staff use the Provincial Public Safety Telecommunications Network (PPSTN) for interoperability between agencies involved at the scene of an emergency event. The PPSTN is a public safety radio network operated in partnership by the Ministry. It provides public safety users (e.g., fire departments, volunteer search and rescue groups, emergency medical services, etc.) with interoperable radio communications that allows them to communicate with each other during times of emergency.

[26] If email services are not available, the Ministry would use the next most effective method available (i.e., fax, courier).

[27] The Ministry uses the Incident Command System for communicating information and instructions to stakeholders during an emergency. www.icscanada.ca (3 March 2015).

The Plan requires the Ministry to design, coordinate, and facilitate exercise opportunities in relation to the Plan.[28] It sets out exercises to complete, but does not set out how to select exercises (i.e., what type of emergency) or their frequency (e.g., annually, every three years).

Management indicated that although the Ministry did not have a documented process for when or how often to test the Plan, it envisions conducting a large-scale test exercise every three to four years with participation from all levels of government (federal, provincial, and municipal) and private sector agencies. Large-scale exercises take a long time to plan because they test multiple components of the Plan and include as many stakeholders as possible. Therefore, they are not normally held on an annual basis.

The Ministry tested the Plan in 2013 (one year after its development). It conducted a test exercise that simulated a flood in the Saskatoon area. The exercise involved many stakeholders: federal government (e.g., Canadian Armed Forces, RCMP), provincial government agencies (e.g., Saskatoon Regional Health Authority, Ministry of Health), municipalities (e.g., Cities of Saskatoon and Warman), and other organizations (e.g., Shock Trauma Air Rescue Service [STARS]).

The Ministry has not held further test exercises. However, numerous emergencies in 2014 required the activation of the Plan. The activation of the Plan for these real emergencies provides the Ministry with feedback on how well the Plan works.

Each time the Plan was activated (i.e., through test exercises or actual emergencies), the Ministry prepared a “lessons-learned” report. In this report, it documented the results, lessons learned, and recommendations.

To prepare the lessons-learned reports, the Ministry and each key stakeholder involved in responding to the emergencies conducted internal reviews (i.e., at their own agency) to assess the emergency response. Ministry staff involved in the emergency response discussed where improvements could be made. The Ministry and key stakeholders discussed the internal review results at the EOAC. The Ministry drafted a lessons-learned report based on the EOAC’s assessment of overall response and shared the final report with EOAC members.

We reviewed lessons-learned reports from the past three years. Examples of lessons learned from 2014 emergencies included the need to: standardize implementation of the Incident Command Structure (i.e., command structure used during emergency response) across government, review protocols to ensure staff safety during emergencies, and review protocols for deploying specialized equipment during events where multiple communities are impacted. In these reports, the Ministry had not identified any specific lessons learned that resulted in required amendments to the provincial Plan or to key stakeholders’ emergency plans. At December 2014, the Ministry was incorporating lessons learned from 2014 emergencies into its *2015 Operational Plan*.

Each key stakeholder has the responsibility under the Plan to determine when and how often their individual emergency plan needs to be tested. The Ministry’s guidance to key stakeholders recommends they test their plan annually.

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[28] Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 7.3.

We found key stakeholders participated in the "lessons learned" process. This process provided these stakeholders with some information on the effectiveness of the individual agency emergency plans.

6.0 GLOSSARY OF TERMS

All-Hazards Emergency Management Planning – An approach that recognizes that the actions required to mitigate the effects of emergencies are essentially the same, irrespective of the nature of the event, thereby permitting an optimization of scarce planning, response and support resources. The intention of all-hazards generic emergency planning is to employ generic methodologies, modified as necessary by particular circumstances. All-hazards incorporates natural and man-made hazards threats including traditional emergency management events such as flooding and industrial accidents, as well as national security events such as terrorism and cyber events. (*Public Safety Canada, Emergency Management Planning Guide*)

Emergency – A present or imminent event, including information technology incidents, that requires prompt coordination of actions to protect the health, safety or welfare of people, or to limit damage to assets or the environment. (*Public Safety Canada, Emergency Management Planning Guide*)

Hazard – A hazard is a potentially damaging physical event, phenomenon or human activity that may cause the loss of life or injury, property damage, social and economic disruption or environmental degradation. (*Public Safety Canada, Emergency Management Planning Guide*)

Threat – The presence of a hazard and an exposure pathway; threats may be natural or human-induced, either accidental or intentional. (*Public Safety Canada, Emergency Management Planning Guide*)

Risk – Threat that a hazard will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully. *(Provincial Emergency Management Plan)*

7.0 EXHIBITS

Exhibit 7.1—Government Agencies Represented on Provincial Emergency Management Committee (PEMC) at December 2014

Ministries:
Agriculture
Central Services
Environment
Health
Highways and Infrastructure
Finance
Government Relations*
Justice
Public Service Commission
Social Services

Crown Corporations:
SaskEnergy/Transgas
SaskPower
SaskTel

Other:
Crown Investments Corporation of Saskatchewan
Water Security Agency

Source: Ministry of Government Relations, *Provincial Emergency Management Plan 2013-2016*, s. 2.5.1.3.
*The Chief of Emergency Management is the chair of the PEMC.
Bolded agencies are key stakeholders for the *Provincial Emergency Management Plan*.

Exhibit 7.2—Government Agencies Represented on Emergency Operations Advisory Committee (EOAC) at December 2014

Ministries:
Advanced Education
Agriculture
Central Services
Economy
Education
Environment
Executive Council
Finance
Health
Highways and Infrastructure
Government Relations*
Justice
Labour Relations and Workplace Safety
Parks, Culture and Sport
Public Service Commission
Social Services

Other:
Royal Canadian Mounted Police (RCMP)
Department of National Defence Canada
Public Safety Canada

Crown Corporations:
Crown Investments Corporation of Saskatchewan
SaskEnergy
Saskatchewan Gaming Corporation
Saskatchewan Government Insurance
SaskPower
SaskTel
Saskatchewan Transportation Company
SaskWater
Saskatchewan Opportunities Corporation

Treasury Board Government Agencies:
Apprenticeship & Trade Certification Commission
eHealth Saskatchewan
Legal Aid Saskatchewan
Liquor and Gaming Authority
Saskatchewan Assessment Management Agency
Saskatchewan Arts Board
Saskatchewan Research Council
Water Security Agency
Workers Compensation Board

Source: Ministry of Government Relations records January 2015.
*Ministry of Government Relations staff co-chair the EOAC.

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Chapter 13
Prairie South School Division No. 210—Equipping the Board with Knowledge and Competencies to Govern

1.0 MAIN POINTS

School divisions play a crucial role in the delivery of education in the province. The elected boards of school divisions require a sufficient level of knowledge and competencies in order to govern effectively. The duties and responsibilities of school division boards include administering and managing education affairs, and establishing policies that guide division management.

Prairie South School Division No. 210 (Prairie South or Division) has 40 schools located within 19 rural and urban communities in southern Saskatchewan with about 1,300 staff (equivalent to about 960 full-time equivalent positions) and 6,500 students.[1] The Division is comprised of six subdivisions for the purpose of elections and representation. The Board of Education of Prairie South School Division No. 210 (Board) is a 10-person elected board charged with governing Prairie South.

We concluded that the Board did not have effective processes to equip itself with the necessary knowledge and competencies to govern the Division. While the Board carried out certain activities to build Board knowledge and competencies, these activities were not undertaken using a coordinated approach to ensure the Board was equipped in all areas necessary for effective governance. The Board needs to:

- Set out baseline knowledge and competencies necessary to govern; this could be done on its own or by working with the Ministry of Education (Ministry) and other school divisions
- Maintain a listing of knowledge and competencies possessed collectively and by current individual board members
- Develop a plan to address gaps in individual and collective Board knowledge and competencies and periodically monitor whether professional development training for the Board addresses those gaps

We encourage other boards of education to use the information in this chapter to assess their own processes for equipping themselves with the necessary knowledge and competencies to govern their division.

2.0 INTRODUCTION

In 2013-14, the Government spent over $2.1 billion on Prekindergarten to Grade 12 education.[2] Publicly-elected boards of education (school boards) of 28 school divisions in Saskatchewan directly oversee the delivery of this education.

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[1] *Prairie South School Division 2013-14 Annual Report*, p.10.

[2] Provincial Auditor of Saskatchewan from Government financial records.

Effective governance of school divisions is important. To enable school boards to do their job effectively, boards and board members need to maintain a sufficient level of knowledge and competencies.

This chapter reports the results of our audit to assess whether the Board of Education of Prairie South School Division No. 210 had effective processes to equip itself with the necessary knowledge and competencies to govern the school division.

3.0 BACKGROUND

3.1 Knowledge and Competencies to Govern

Governance determines who has power, who makes decisions, how other players make their voices heard and how account is rendered.[3] It refers to the structures and processes that direct, control and hold an organization to account.[4] Management of an organization, on the other hand, deals with the day-to-day operations of an organization within the directives established by the governing body (e.g., management implements board decisions, policies, and strategies).

Having the knowledge necessary to govern a school division, such as Prairie South, means that the Board members understand their roles, responsibilities, and the environment in which the organization operates. Competencies necessary to govern refers to the Board members' skills and experiences; these include competencies such as leadership skills, board experience, education sector experience, and financial expertise.

Board members typically possess a variety of competencies and skills. However, it is common that, collectively, members may not possess some specific competencies and skills or need further development so that the board can govern effectively.

Failure to identify and address knowledge and competency gaps may limit the Board's ability to govern effectively – that is, to make the right decisions at the right time.

3.2 Roles and Responsibilities of School Boards and School Division Management

School boards must govern in accordance with *The Education Act, 1995* (Act). The Act makes school boards responsible for various duties and responsibilities including administering and managing the education affairs of the school division and establishing policies that guide management. The Act also sets out other areas of responsibility for general supervision and control such as approving courses of study, facilities maintenance, teacher appointments, transportation services, financial record keeping, and preparing budgets and operational reports.[5]

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[3] Institute on Governance, www.iog.ca/defining-governance/ (26 February 2015).
[4] Auditor General British Columbia, *School District Board Governance Examination*, p. 7.
[5] Adapted from *The Education Act, 1995*, section 85 (1).

The Act does not set requirements for knowledge or competencies for individuals seeking election as school division board members. As a result, divisions have no control over the pre-existing levels of knowledge and competencies of new board members.

When we surveyed board members of all school divisions together with selected management in 2013, board members and management identified gaps between the skills and knowledge needed to govern and those possessed by their boards.[6] For example, fewer than half of board members were of the view that experience in a related industry or sector, or financial expertise, were adequately represented in their current board. Also, almost 30% of board members and 45% of management indicated they were concerned that board members do not understand the board's role and responsibilities.

3.3 Prairie South School Division

Prairie South is one of 28 school divisions in Saskatchewan. It has a 10-person Board, elected in the fall of 2012 for a four-year term.[7] Two members have joined since 2012 through by-elections.

Prairie South has 40 schools located within 19 rural and urban communities in southern Saskatchewan with about 1,300 staff (equivalent to about 960 full-time equivalent positions) and 6,500 students.[8] The Division is comprised of six subdivisions for the purpose of elections and representation.

In 2013-14, Prairie South had revenues of $85.3 million (2012-13: $88.7 million) and expenses of $88.1 million (2012-13: $89.7 million). At August 31, 2014, it had financial assets of $30.5 million (2012-13: $32.2 million), liabilities of $11.3 million (2012-13: $11.7 million), and tangible capital assets of $52.7 million (2012-13: $54.4 million).[9]

In accordance with the Act, the Board may provide any meetings, seminars, workshops, and conventions for members of the Board considered advisable for the purposes of educational planning and development in the school division. As shown in **Figure 1**, each year, Prairie South spends over $500,000 on governance-related expenses. This includes expenses related to Board member professional development.

Figure 1—Prairie South School Division Governance Expenses

	2012 Actual	2013 Actual	2014 Actual	2015 Budget
		(in thousands)		
Board Members Expense	$ 205.1	$ 198.6	$ 191.9	$ 214.5
Professional Development – Board Members	68.9	50.5	45.4	62.1
Advisory Committees	37.8	42.0	41.4	53.4
Elections	-	55.5	0.7	16.0
Other Governance Expenses	205.8	254.2	249.4	229.8
Total Governance Expenses	**$ 517.6**	**$ 600.8**	**$ 528.8**	**$ 575.8**

Source: *Audited Financial Statements of the Prairie South School Division No. 210* for the Period Ending August 31, 2014, p. B-1, *Prairie South School Division No. 210 Annual Report 2012-13*, p. 43, and *Prairie Spirit School Division 2014-15 Proposed Budget Supplementary Details of Expenses*.

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[6] Available at www.auditor.sk.ca/publications/resources.

[7] *Prairie South School Division 2013-14 Annual Report*, p.10.

[8] Ibid., p. 5, 12, and 13.

[9] *Audited Financial Statements of the Prairie South School Division No. 210 for the Period Ending August 31, 2014*, p. 1-2.

To effectively meet its responsibilities, the Board of Education of Prairie South School Division No. 210 needs to equip itself with necessary knowledge and competencies.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Board of Education of Prairie South School Division No. 210 had effective processes, for the 12-month period ended January 31, 2015, to equip itself with the necessary knowledge and competencies to govern the Division.

We examined the Board's policies and procedures, orientation manual, reports, Board packages, minutes, and other relevant documents. We also interviewed the Chair, Vice-Chair, the majority of Board members, and members of senior management.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Board's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with the Board and management. The Board and management agreed with the criteria (see **Figure 2**).

Figure 2—Audit Criteria

Effective processes for the Board of Education to equip itself with the necessary knowledge and competencies to govern the school division include processes to:

1. **Determine Board knowledge and competencies necessary to govern**
   - 1.1 Assess school division operating environment and impact on knowledge and competency requirements (e.g., roles and responsibilities, specific skill sets needed)
   - 1.2 Identify Board knowledge and competencies necessary to govern given environment (i.e., collectively and for each Board member)
   - 1.3 Periodically reassess necessary knowledge and competencies
2. **Identify gaps between necessary and existing Board knowledge and competencies**
   - 2.1 Maintain information on Board knowledge and competencies (collectively and for each Board member)
   - 2.2 Compare existing Board knowledge and competencies to necessary Board knowledge and competencies
   - 2.3 Document gaps
3. **Plan to address gaps in Board knowledge and competencies**
   - 3.1 Identify alternative methods for addressing knowledge and competency gaps (e.g., training, external experts)
   - 3.2 Develop strategy to address knowledge and competency gaps
   - 3.3 Document strategy
4. **Implement strategy to address knowledge and competency gaps**
   - 4.1 Take steps to address gaps in Board knowledge and competencies (e.g., provide orientation, training and development opportunities, or access to external assistance, for Board members in accordance with the strategy)
   - 4.2 Monitor whether gaps are addressed (e.g., through periodic Board evaluations)
   - 4.3 Adjust the strategy as required

Although the Board of Education of Prairie South School Division No. 210 carried out certain activities to build Board knowledge and competencies, these activities were not undertaken using a coordinated approach to equip the Board in all areas necessary for effective governance.

We concluded that, for the 12-month period ended January 31, 2015, the Board of Education of Prairie South School Division No. 210 did not have effective processes to equip itself with the necessary knowledge and competencies to govern the Division. We make four recommendations.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (*expectations*) and our key findings along with related recommendations.

5.1 Knowledge and Competencies Necessary to Govern Not Specifically Identified

We expected the Board, with the assistance of management, to assess how the operating environment of the School Division influences the knowledge and competencies needed by Board members and the Board collectively. For the purpose of this audit, operating environment refers to all of the external and internal influences that impact the governing and operating of the Division (e.g., legislative mandate, government priorities, size of the Division, student demographics). The Board would identify and maintain knowledge and competencies necessary to govern both at the individual board member level and collectively. Also, the Board would periodically reassess necessary knowledge and competencies.

The Prairie South School Division Board approved Board policies that provide guidance and direction on how the Board functions, conduct of trustees, functioning of Board Committees and representatives, conduct of hearing and appeals, roles and responsibilities, as well as delegations of authority. The policies also set out requirements related to the information to include in an orientation program for newly-elected Board members.

We found the contents of the orientation program were in line with the requirements set out in the Board's policies. However, the orientation program did not provide sufficient information on the School Division's operating environment. The orientation program included general information (e.g., statutory and regulatory authorities, financial and enrolment information, organizational structures, and Division procedures) but was missing key information necessary to provide newly-elected Board members with an introductory-level understanding of the Division necessary to effectively carry out their duties. For example, the orientation program materials did not include identification of issues and current initiatives specific to the Division.

While the Board Chair, Vice Chair, Director of Education, and Chief Financial Officer collaborated to develop and update the orientation program materials, we did not find evidence of an assessment of baseline knowledge and competencies needed to govern the Division. In addition, we found no evidence in Board minutes (or supporting agenda packages) of discussions about necessary Board and Board member knowledge and competencies. Also, we did not find evidence that the Board sought this information from the Ministry or other school divisions.

Not setting out baseline knowledge and competencies needed to govern resulted in coverage of the Division's operating environment in the orientation materials being incomplete. Identifying baseline knowledge and competencies would inform requirements for Board orientation, and would help form the basis for further Board development.

Not specifically identifying baseline knowledge and competencies increases the risk that the Board may not be suitably equipped to make informed decisions. Identifying key knowledge and competencies of Board members, either on its own or by working with the Ministry and other school divisions, would assist the Board in managing this risk. Making this information available publicly may attract individuals possessing such knowledge and competencies to run for school board member elections.

1. **We recommend that the Board of Education of Prairie South School Division No. 210 set out its baseline knowledge and competencies necessary to govern the School Division.**

Because the environment in which school divisions operate changes (e.g., new policies, changes to strategic focus), we would encourage the Board to reassess necessary knowledge and competencies periodically.

5.2 Formal Process Needed to Identify Knowledge and Competency Gaps

We expected the following processes to be in place. The Board would identify knowledge and competencies of current Board members and update its listing of identified knowledge and competencies on a periodic basis. The Board would periodically compare necessary Board knowledge and competencies with those possessed by current members. The Board would review the results of the comparison and agree upon gaps identified.

We found the Board did not expect (e.g., in Board policies) to identify the knowledge and competencies possessed by current Board members and maintain a listing of them. Also, Board policies did not require a comparison of existing and necessary Board knowledge and competencies to identify gaps.

We found the Board gathered limited information on Board member knowledge and competencies. It completed an annual facilitated Board self-evaluation process (evaluation). The evaluation completed in April 2014 gathered information on several areas related to Board operation and effectiveness such as fulfilling roles as Board members, interpersonal working relationships, effective communication, adherence to the Board's policies and annual work plans, and Board-management relations. The Board used the evaluation results to create an action plan focused on two areas. While the evaluation could be used as a tool to identify Board member knowledge and competency gaps, its use in this regard was limited. The Board may want to consider building this component into future evaluations.

We further found that each Board member developed a biography for the Division website. These biographies included limited information on Board member knowledge and competencies. We note that the Board's use of committees provides Board members with the opportunity to focus their attention on areas to build expertise. We observed that certain areas such as leadership skills, education sector knowledge, and legal expertise were represented on the Board. Other areas, such as financial expertise (e.g., accounting designation) or information technology expertise, were not evident. In addition, Board members expressed to us a common concern regarding a lack of understanding of Board roles and responsibilities. These may be areas where the Board may choose to seek additional training or outside expertise to ensure it is in a position to effectively respond to issues that may arise.

Not having a formal process to identify knowledge and competencies Board members possess individually and collectively (i.e., an inventory) increases the risk that the Board will not know whether it has the key knowledge and competencies to govern effectively. This, in turn, increases the risk that the Board may be hindered in its ability to make informed decisions or place increased reliance on management.

2. **We recommend that the Board of Education of Prairie South School Division No. 210 maintain a current listing of knowledge and competencies possessed collectively and by individual Board members.**

Because the Board did not identify necessary or existing knowledge and competencies of Board members (individually or collectively), it did not know in which specific knowledge and competency areas there may be gaps or which ones needed further development or support.

5.3 Plan Needed to Address Gaps in Board Knowledge and Competencies

We expected the following processes to be in place. The Board, with the assistance of management, would develop a documented strategy (i.e., plan) to address identified knowledge and competency gaps. Such a strategy would set out key areas or guidance for Board training and development and matters where the Board should consider use of outside expertise (e.g., information technology expert) to make decisions. Such a strategy would also include setting out expected actions, assigning responsibility and outlining timelines consistent with approved funding. Given that Board members change, the Board would maintain and store this strategy and related information in a way readily accessible to Board members (e.g., centrally).

Because the Board had not determined knowledge and competencies necessary to govern, or created an inventory of those possessed by the current Board to identify gaps, it did not have key information necessary to develop a plan.

We found a high-level plan was developed, called the *Positive Path Forward*, resulting from issues identified in the 2014 Board evaluation previously noted in **Section 5.2**. The plan contained minimal content related to Board knowledge and competencies. In addition, the plan did not assign responsibility or timelines for completion of actions. Plans that do not assign responsibilities and timelines are at increased risk of not being accomplished.

In our review of Board meeting minutes (and supporting agenda packages) for 2014, we found that the Board used outside experts in specific instances such as to help develop the process to hire a new Director of Education and carry out the Board self-assessment. These provide specific examples of the Board leveraging the use of outside expertise in areas where it was not equipped with sufficient knowledge.

Although the Board makes professional development funds available to Board members each year, it did not have a written professional development plan for the Board or give Board members criteria or guidelines to follow when selecting development opportunities (e.g., target areas where the Board needs to improve its knowledge and competencies). Board members had discretion on the use of their professional development budget and could take training in areas of their choosing.

Lack of a documented plan increases the risk that spending on Board professional development will not address gaps in Board knowledge and competencies, or further develop knowledge and competencies in key areas. The absence of a plan also increases the risk that the Board will not identify areas where it may need to engage outside assistance. It may also result in the Board placing undue reliance on management.

3. **We recommend that the Board of Education of Prairie South School Division No. 210 document a plan to address gaps in individual and collective Board knowledge and competencies.**

5.4 Strategy to Address Knowledge and Competency Gaps Not Yet Implemented

We expected the following processes to be in place. The Board would, following its strategy (i.e. plan), address gaps in knowledge and competencies. The Board would periodically monitor whether its strategy was working effectively to address knowledge and competency gaps.

As we have described, the Board carried out some steps to enhance its knowledge and competencies. For example, the Board provided an orientation to new members and provided a professional development budget for its members. We noted Board members participated in activities such as provincial and national conferences for school board members. However, as noted in **Section 5.3**, the Board did not take steps to help ensure spending on professional development focused on knowledge and/or competencies where the Board most needed further development.

While the Board monitored overall spending by Board members on professional development, it did not monitor whether training selected or taken helped address knowledge and competency gaps (e.g., financial expertise).

Also, we did not observe processes that Board members prepared or discussed professional development plans. Such plans, if linked to an overall Board plan informed by gap analysis, would assist the Board in using its professional development resources effectively.

Unless the Board monitors whether its plan for equipping itself with necessary knowledge and competencies is effective, it will not know whether it is spending its development resources optimally.

4. We recommend that the Board of Education of Prairie South School Division No. 210 periodically monitor whether Board professional development training addresses gaps in individual and collective Board knowledge and competencies.

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Chapter 14
Regina Qu'Appelle Regional Health Authority—Safe and Timely Discharge of Hospital Patients

1.0 MAIN POINTS

Safe and timely discharge of patients from hospitals helps ensure patients' well-being and impacts hospitals' ability to manage their beds.

This chapter focuses on Regina Qu'Appelle Regional Health Authority's (Regina Qu'Appelle) processes for safe and timely discharge of patients from its largest hospitals in Regina (Pasqua Hospital and Regina General Hospital).

Effectively discharging patients from hospital requires a multi-disciplinary approach. While a physician ultimately determines when patients are medically ready for discharge, a wider network of staff and services are involved in discharging patients from hospital and arranging for ongoing health care. Coordination of these staff and services is essential to support safe and timely discharge of patients. Coordinated transitions and effective communication may reduce the number of re-admissions into the healthcare system resulting in improved patient outcomes and significant savings.

The timeliness of hospital discharge can impact patient safety. Unneeded prolonged hospitalization can increase the risk of hospital-acquired infections, and can cause a decline in patients' physical and mental abilities given a lack of sufficient activity. Unneeded prolonged hospitalization also impacts the effective management of beds in hospitals.

We report that Regina Qu'Appelle had, other than the following, effective processes for the safe and timely discharge of hospital patients from its two largest hospitals.

To help ensure patients continue to receive appropriate health care, Regina Qu'Appelle needs to prepare comprehensive, multi-disciplinary patient care plans, and provide post-discharge healthcare providers with complete and timely transfer information to maintain continuity of care. Also, to help ensure better bed management in its hospitals, Regina Qu'Appelle needs to develop additional strategies to discharge patients in a timely manner, and enhance systems to monitor performance related to patient discharge.

We encourage other health regions to use the information in this chapter to assess their own processes for safe and timely discharge of patients from their hospitals.

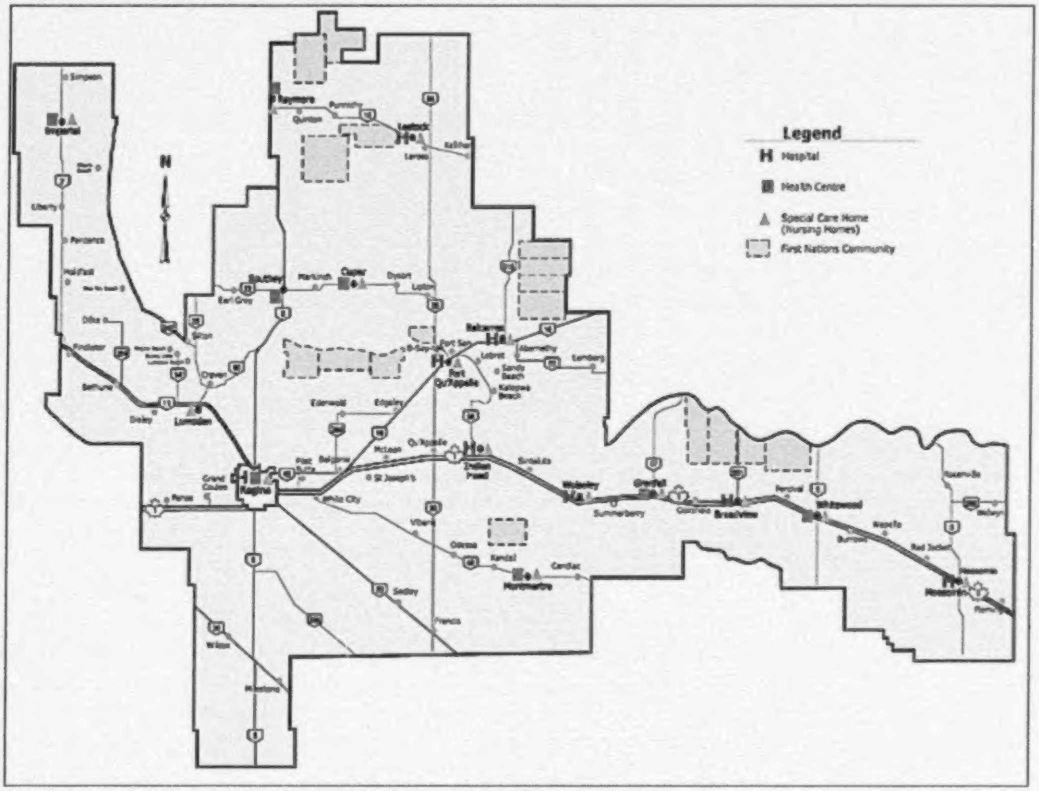
2.0 INTRODUCTION

Regional health authorities, under *The Regional Health Services Act,* are responsible for providing healthcare services to the residents of their specified region. Regina Qu'Appelle is one of Saskatchewan's 12 regional health authorities.

Regina Qu'Appelle oversees the provision of healthcare services for an area of southern Saskatchewan serving a population of 280,136.[1] Like other regional health authorities, Regina Qu'Appelle is responsible for planning, organizing, delivering and evaluating health services within its health region. As part of this mandate, Regina Qu'Appelle must establish processes to enable safe and timely discharge of patients from its hospitals.

Regina Qu'Appelle has five acute care[2] hospitals (located in Moosomin, Indian Head, Wolseley, Broadview and Fort Qu'Appelle) and two tertiary care[3] hospitals located in Regina (Pasqua Hospital and Regina General Hospital). The two hospitals in Regina account for the majority of Regina Qu'Appelle's patient discharges. **Figure 1** provides the locations of the various hospitals throughout the region and outlines its boundaries.

Figure 1—Map of Regina Qu'Appelle Regional Health Authority


Legend
H Hospital
Health Centre
Special Care Home (Nursing Homes)
First Nations Community
N
Simpson
Imperial
Liberty
Penzance
Holdfast
Dilke
Findlater
Bethune
Disley
Lumsden
Silton
Craven
Earl Grey
Southey
Markinch
Cupar
Dysart
Lipton
Raymore
Punnichy
Quinton
Leross
Kelliher
Balcarres
Fort San
Fort Qu'Appelle
Lebret
Abernethy
Lemberg
Sandy Beach
Katepwa Beach
Edenwold
Edgeley
McLean
Qu'Appelle
Indian Head
Sintaluta
Wolseley
Summerberry
Grenfell
Broadview
Percival
Whitewood
Burrows
Wapella
Red Jacket
Moosomin
Rocanville
Welwyn
Fleming
Regina
Grand Coulee
Pense
Pilot Butte
Balgonie
St Joseph's
White City
Vibank
Odessa
Kendal
Montmartre
Candiac
Sedley
Francis
Wilcox
Milestone

Source: Regina Qu'Appelle Regional Health Authority *Annual Report 2013-14*.

Demand for Regina Qu'Appelle's acute care services continues to rise. As shown in **Figure 2**, between 2009-10 and 2013-14, the number of annual admissions into acute care facilities (and subsequent discharges) rose by approximately 7.6%. The increasing number of admissions places pressure on Regina Qu'Appelle's acute care facilities. It also increases the need for timely and safe patient discharge to maximize the utilization of a scarce supply of acute care beds.

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[1] The Government of Saskatchewan, *Ministry of Health Covered Population 2013*. http://population.health.gov.sk.ca/rha4.htm (28 November 2014).

[2] Acute care is health care where a patient receives active but short-term treatment in a health facility for a severe injury or episode of illness, an urgent medical condition, or during recovery from surgery.

[3] Level of care that consists of complex procedures given in a health facility that has highly-trained specialists and often advanced technology.

Figure 2—Hospital Care Admissions (Discharges) and Average Length of Stay in Regina Qu'Appelle Hospitals

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
Admissions (and subsequent discharges)	34,003	34,123	34,549	35,281	36,595
Average length of stay (days)	6.4	6.9	7.0	6.7	6.3

Source: Regina Qu'Appelle Health Region, *2010-14 Annual Reports.*

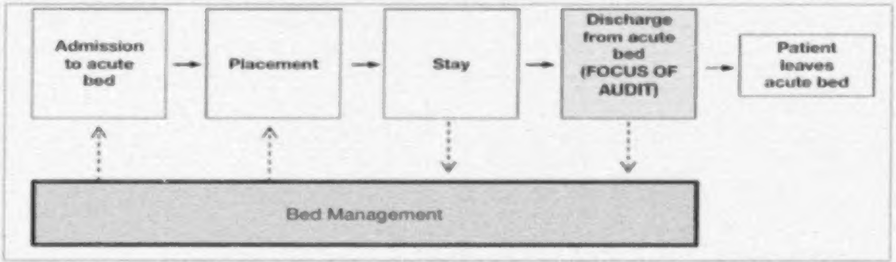
This chapter contains the results of our audit of Regina Qu'Appelle's processes for the safe and timely discharge of hospital patients from its two largest hospitals.

3.0 BACKGROUND

3.1 Discharging Hospital Patients

Discharge is one of the key components of a patient's journey through a hospital. **Figure 3** provides an overview of patient movement referred to as the bed management chain. For a hospital to effectively manage its beds, acute care facilities must discharge patients in a timely but safe manner to avoid disrupting other areas of the bed management chain.

Figure 3—Overview of the Bed Management Chain

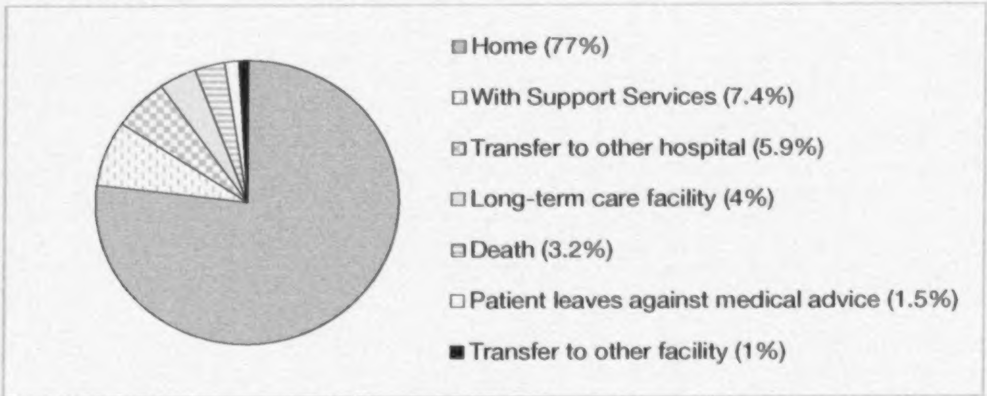


Source: The diagram above was based on information from the Emergency Medicine Journal and modified to reflect the context of the audit. (http://emj.bmj.com/content/20/2/149.full) (17 December 2014).
Note: Dashed lines indicate the flows of information required for effective bed management. While this audit did not examine admission, it recognized that the appropriateness of admissions is critical to patient flow.

Upon completion of treatment for patients' injuries or illnesses, acute care facilities discharge patients to settings appropriate for their ongoing care and needs. They intend to discharge patients promptly when patients are medically fit and arrangements are in place to meet any continuing healthcare needs or social care.

As shown in **Figure 4**, while just over three-quarters of patients go directly home when they no longer require acute care in the hospital, almost one-quarter of them continue to require various levels of support. Regardless of the discharge destination, a coordinated discharge process is required so that patients receive the information and services they require to meet their healthcare needs.

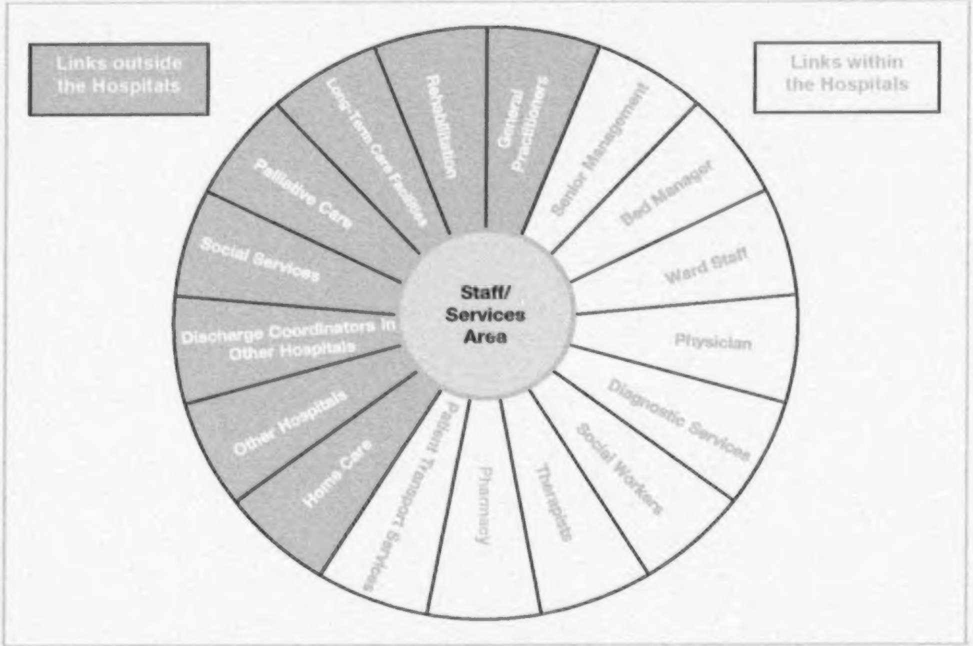
Figure 4—2013-14 Destination of Hospitalized Patients Discharged from Regina General and Pasqua Hospitals



Source: Data provided by Regina Qu'Appelle.

While a physician ultimately determines when patients are medically ready for discharge, as reflected in **Figure 5**, a wider network of staff and services are involved in discharging patients from hospitals and arranging for ongoing health care. For example, social workers, as part of Regina Qu'Appelle's System Wide Admission and Discharge Department, assess clients' care needs, arrange for services such as home care, long-term care, and a wide range of other community services.

Figure 5—Staff/Services Involved in Discharging Patients from Hospitals and Providing Ongoing Care


Links outside the Hospitals
Links within the Hospitals
Staff/ Services Area
General Practitioners
Senior Management
Bed Manager
Ward Staff
Physician
Diagnostic Services
Social Workers
Therapists
Pharmacy
Patient Transport Services
Home Care
Other Hospitals
Discharge Coordinators in Other Hospitals
Social Services
Palliative Care
Long-Term Care Facilities
Rehabilitation

Source: Developed by Provincial Auditor of Saskatchewan.

The number of staff and services involved in discharging patients makes coordination essential to having an effective discharge process. Acute care facilities (hospitals) must make post-discharge healthcare arrangements in conjunction with the patients and/or families along with support from hospital staff. For example, to maintain continuity of care, staff should prepare information (e.g., discharge summaries, medical reconciliations) to share with patients' healthcare providers outside hospitals.

3.2 Importance of Timely and Safe Discharge of Patients

Timely patient discharge is key to patient flow within a hospital and plays an important role in patient safety.

Discharging patients in a timely manner is critical to bed management so that beds are available when needed. If managed well, timely discharges can significantly improve bed access and patient flow. For example, effective patient discharge can directly impact emergency wait times because new emergency admissions awaiting beds could leave the emergency department sooner. In 2013-14, the average wait time in the emergency room in Saskatchewan for patients requiring admission was 8.9 hours and for patients released after emergency treatment, 2.9 hours.[4]

Starting in 2013, the Government of Saskatchewan embarked on an Emergency Waits and Patient Flow Initiative with the goal of bringing emergency waits to zero, and improving patient experiences as they move through the healthcare system.[5]

Patient discharges that are safe and timely will contribute to meeting this goal. Remaining in hospital longer than medically needed can be detrimental to a patient's health. Prolonged hospitalization can increase the risk of hospital-acquired infections and cause a decline in patients' physical and mental abilities because of a lack of sufficient activity.[6, 7]

As previously noted, effective discharge processes include a coordinated transition to post-discharge care that meets patient needs, and effective communication with post-discharge care providers. Coordinated transitions and effective communication may reduce the number of re-admissions[8] into the healthcare system.

As shown in **Figure 6**, the re-admission of patients into Regina Qu'Appelle's hospitals vary significantly by service-line category from a low of 2.06 per 100 patients in obstetrics to a high of 13.23 per 100 patients in medical in 2013-14.

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[4] Canadian Institute for Health Information. *NACRS Emergency Department Visits and Length of Stay by Province/Territory, 2013-14*. www.cihi.ca/web/resource/en/ed_quickstat_10072014_en.xlsx%20 (28 November 2014).

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[6] Auditor General Ontario. (2010). *Discharge of Hospital Patients.* Toronto: Author.

[7] Victorian Auditor General. (2008). *Managing Acute Patient Flows.* Melbourne: Author.

[8] Regina Qu'Appelle defines re-admissions as any urgent admission to any Regina Qu'Appelle acute facility for any reason within 30 days of the previous discharge episode.

Figure 6—Regina Qu'Appelle Re-Admission Rates for 2012-13 and 2013-14

Service-Line Category	Re-Admission Rate per 100 patients 2012-13	2013-14
Obstetric (i.e., pregnancy, childbirth, and postpartum period)	2.24	2.06
Pediatrics (i.e., 19 years of age and younger)	5.18	5.97
Surgical	4.25	6.06
Medical	14.34	13.23

Source: Data provided by Regina Qu'Appelle.

While a certain number of re-admissions is unavoidable, effectively arranging and providing support for post-discharge care can minimize unplanned re-admissions.[9] Unplanned hospital re-admissions within seven days of discharge may indicate a patient was discharged from hospital prematurely. Unplanned hospital re-admissions within eight to 28 days of discharge may be indicative of a systemic failure – that is, insufficient community resources.[10] Preventing unplanned re-admissions improves the quality of life for patients and the financial well-being of the healthcare system as a whole.

As shown in **Figure 7**, discharges related to medical and surgical-related episodes represent approximately 90% of re-admissions occurring within the Regina General and Pasqua Hospitals. Re-admissions within seven days were approximately 40% of total re-admissions in 2013-14. Re-admissions within eight to 30 days were approximately 60% of re-admissions. Regina Qu'Appelle does not track the costs of unplanned re-admissions.

Figure 7—Regina Qu'Appelle: 2013-14 Days Between Discharge and Re-Admission for the Regina General and Pasqua Hospitals

	# of Days Between Discharge and Re-Admission						
Service-Line Category of Previous Episode	0-3 Days	4-7 Days	8-14 Days	15-21 Days	22-30 Days	Total Re-Admissions	Percentage of Total Re-Admissions
Obstetric	26	17	18	18	14	**93**	**3.8**
Pediatrics	43	29	33	24	19	**148**	**6.1**
Surgical	136	112	124	99	95	**566**	**23.3**
Medical	302	312	396	331	285	**1,626**	**66.8**
Total Re-Admissions	**507**	**470**	**571**	**472**	**413**	**2,433**	
Percentage of Total Re-Admissions	**20.8**	**19.3**	**23.5**	**19.4**	**17.0**		

Source: Data provided by Regina Qu'Appelle.

While discharges occur at the end of patients' treatment in a hospital, discharged patients can remain vulnerable. After discharge, patients often require additional support that the hospitals must communicate and coordinate.

Ineffective processes for patient discharge could result in unnecessary risks to patient safety and significant financial pressures on the healthcare system as a whole due to the costs of preventable re-admissions. Also, this could result in loss of public confidence in our health system.

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[9] The Canadian Institute for Health Information (CIHI) defines unplanned re-admissions as the unscheduled return of a previously discharged patient to the same hospital for the same or a related condition.

[10] Auditor General Ontario. (2010). *Discharge of Hospital Patients.* Toronto: Author.

4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether Regina Qu'Appelle Regional Health Authority (Regina Qu'Appelle) had effective processes for the safe and timely discharge of hospital patients from its two largest acute care facilities (Regina General and Pasqua Hospitals) for the period of March 1, 2014 to February 28, 2015.

We did not examine the quality of clinical care provided, such as the appropriateness of the clinical decision to discharge a patient from an acute care facility. For this audit, "patient" means an individual who stayed at least one night in an acute care facility; we did not include day surgery or emergency patient discharges.

We examined Regina Qu'Appelle's policies and procedures that relate to patient discharge including relevant sections of its Standards of Nursing Care,[11] Medical Staff Rules and Regulations,[12] Program Access Committee[13] Terms of Reference, and other relevant documents. We also visited both the Pasqua and General Hospitals in Regina to test a sample of patient files, and observe multi-disciplinary rounds[14] occurring on a sample of wards.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Regina Qu'Appelle's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Regina Qu'Appelle's management agreed with the criteria (see **Figure 8**).

Figure 8—Audit Criteria

To have effective processes for the safe and timely discharge of hospital patients, Regina Qu'Appelle should:

1. **Plan for patient discharge**
    1.1 Establish documented policies and procedures to guide discharge
    1.2 Consider types of post-discharge care available
    1.3 Determine provisional discharge destination and estimated discharge date
    1.4 Identify patients at risk of delayed discharge
    1.5 Monitor patients' readiness for discharge
    1.6 Prepare patient for discharge
2. **Provide transition to post-discharge care to meet patient needs**
    2.1 Coordinate support network for patients released home (e.g., family, social services)
    2.2 Facilitate long-term care, home care, and other services (e.g., rehabilitation, palliative care) if required
    2.3 Complete and share transfer information (e.g., discharge summary, medical reconciliation) with patient and/or family and healthcare providers

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[11] Regina Qu'Appelle Regional Health Authority Standards of Nursing Care, October 2008; RQHR Nursing Professional Practice, February 2011.

[12] Established pursuant to the RQHR Practitioner Bylaws. These rules and regulations govern the practitioner staff in the health region and in a particular department, program, or section.

[13] Program Access Committee reviews requests for access to all community-based long-term care services and programs, including placement in long-term care facilities.

[14] A regular daily occurrence where a variety of medical disciplines meet with the patient at the bedside, to coordinate patient care, determine care priorities and communicate with the patient.

3. **Discharge patients in a timely manner**
    - 3.1 Coordinate access to diagnostic and other specialist/allied services required to discharge to minimize delays
    - 3.2 Optimize timing of patient discharges (e.g., staggering discharges throughout the day)
4. **Monitor performance related to patient discharge**
    - 4.1 Collect key discharge information
    - 4.2 Assess results against discharge performance benchmarks
    - 4.3 Address areas where results fall short of benchmark
    - 4.4 Report key discharge performance indicators to senior management and board

We concluded that for the 12-month period ended February 28, 2015, Regina Qu'Appelle Regional Health Authority had effective processes for the safe and timely discharge of hospital patients from its two largest acute care facilities (Regina General and Pasqua Hospital), except it needs to:

- **Require the preparation of comprehensive, multi-disciplinary patient care plans**
- **Provide post-discharge healthcare providers with complete and timely transfer information to maintain continuity of care**
- **Develop additional strategies to discharge patients in a timely manner**
- **Enhance systems to monitor performance related to patient discharge**

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (*expectations*) and our key findings along with related recommendations.

5.1 Planning for Patient Discharge Needs Improvement

5.1.1 Policies and Procedures in Place to Guide Discharge

We expected Regina Qu'Appelle to establish up-to-date policies and procedures to guide patient discharge.

Regina Qu'Appelle has established guidance for staff to follow when discharging patients. For example, it developed and documented processes related to patient discharge as part of its Standards of Nursing Care. It uses various tools and templates (e.g., Nursing Information System Saskatchewan documentation system, clinical pathways[15] for certain surgeries). We found Regina Qu'Appelle's Medical Staff Rules and Regulations include standards related to discharge summaries.

Regina Qu'Appelle requires a formal review of the Standards of Nursing Care every three years. At February 2015, the manual was last reviewed in early 2011. Management indicated that the Nursing Professional Practice Council is in the process of updating the

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[15] Clinical pathways use current best evidence gained from systemic reviews, as well as input from multidisciplinary teams, to outline the optimal courseof care for all patients who have a specific condition or who are undergoing a specific procedure.

Standards of Nursing Care with input from a variety of healthcare providers, with an anticipated completion date of June 2015.

5.1.2 Various Options for Post-Discharge Care Considered

We expected multidisciplinary teams[16] *to consider various types of post-discharge options available to best suit patient needs.*

We found that multi-disciplinary teams consider a variety of post-discharge care options (e.g., home care, long-term care) to best suit the needs of the patient. The multi-disciplinary teams make decisions based on the judgment of the team using standard assessment tools to help them decide what discharge destination is best for the patient.

In situations where long-term care may be needed, Regina Qu'Appelle utilizes a Program Access Committee. As described in **Section 5.2.2**, we found that the Program Access Committee met to consider different types of post-discharge care available for patients in accordance with its terms of reference.

5.1.3 Information Needed to Determine Estimated Date of Discharge Not Always Readily Available

We expected:

- *Provisional discharge destination and estimated discharge date to be determined for each patient.*
- *Discharge planning to occur immediately when a patient is admitted into hospital unexpectedly.*
- *In the case of elective admission (i.e., planned surgeries), pre-admission discharge planning to occur (e.g., screening tools, risk assessments, care pathways).*
- *Individual care plans to be regularly reviewed and updated by patients' multi-disciplinary teams. Estimated discharge dates to be discussed and revised during daily multi-disciplinary rounds.*

Use of "D-System"

Regina Qu'Appelle uses a "D-System" methodology to facilitate patient discharge. The D-System uses standard processes to develop an individualized plan of health care. Under the D-System, each patient is given a target discharge date on admission which is reviewed daily to reflect the patient's healthcare needs. Use of this system helps multi-disciplinary teams address barriers to timely patient discharge, and provides information for the electronic bed management system to notify when a bed is expected to be available.

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[16] A multidisciplinary team is composed of members from different healthcare professions (e.g., nurses, physicians, dietitians, social workers, physiotherapists, occupational therapists, speech language pathologists, pharmacists) with specialised skills and expertise. The composition of the team will be dependent on the nature of a patient's condition. The members collaborate together to make treatment recommendations that facilitate quality patient care.

We observed that targeted dates of discharge were established and regularly discussed with patients. We also noted that nursing staff updated targeted dates of discharge on a daily basis into the region's clinical review information technology system called Sunrise Clinical Manager[17] during multi-disciplinary rounds.

Elective Admissions—Pre-Admission Planning

Clinical pathways set out a roadmap for a patient's stay in hospital which includes identifying an expected discharge date. Clinical pathways also address several components of care including tests, referrals, activities, medications, teaching and discharge planning, and desired outcomes.

For the patient files we examined, we found clinical pathways (i.e., cardiac and orthopedic pathways) were used for patients admitted for surgery. These clinical pathways included a pre-admission component which took place in the days leading up to the surgery.

Unplanned Admissions—Assessment at Time of Admission

Regina Qu'Appelle's Standards of Nursing Care requires that an admission assessment be completed within 24 hours of admission and placed on the patient chart as a permanent record. Information gathered from these assessments is useful to identify potential barriers to timely discharge, and develop subsequent plans to address them.

We found admission assessments were not always completed within 24 hours from when a patient was first admitted to the hospital. About 5% of the files that we examined did not meet this timeframe. While assessments were completed within 48 hours of admission (instead of 24 hours), a departure from established policy could have a significant negative impact on patient care and discharge planning.

1. **We recommend Regina Qu'Appelle Regional Health Authority follow its policy to complete admission assessments of patients within 24 hours of admission.**

Preparing Individual Care Plans

We found individual patient's nursing plans were developed and regularly updated for the patient files we examined. However, the nursing plans contained limited information from other disciplines (e.g., dietitian, pharmacist, physiotherapist). Instead, information from other disciplines outside of nursing was included in the form of notes recorded as part of the patient's file.

We noted a daily multi-disciplinary team meeting took place involving multiple disciplines; not all participants always attended the meetings.

While there was evidence that members of the multi-disciplinary team were consulted on various matters related to patient care, a documented comprehensive multi-disciplinary plan did not exist. Management indicated that currently each discipline prepares its own plan separately. We noted that a multi-disciplinary plan template was developed but was not yet in use at February 2015.

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[17] According to Regina Qu'Appelle's website, Sunrise Clinical Management (SCM) system is a clinical review system that enables communication between authorized care providers. With SCM, all authorized care providers within the circle of care for a patient (e.g., the most responsible physician, admitting physician, consulting physician, nurse unit manager, ward nurse) can share information.

Documented multi-disciplinary care plans would provide each member of the team with complete information related to the patient's health care in the hospital resulting in better patient care. Not preparing a comprehensive multi-disciplinary plan may result in an uncoordinated approach to patient care.

2. **We recommend Regina Qu'Appelle Regional Health Authority require healthcare professionals involved in patient care to prepare a comprehensive, multi-disciplinary patient care plan.**

5.1.4 Patients at Risk of Delayed Discharge Identified and Actively Addressed

We expected:

- *Patients to be screened for risk factors using standardized criteria to identify potential barriers that may delay discharge (e.g., cognitive ability, level of confusion, risk of falls, social supports) as part of the development of an individual care plan.*
- *Individual care plans to document potential barriers identified and interventions applied.*

For the patient files we examined, we found patients were screened for risk factors that may delay discharge as part of their admission assessment. We found the assessment used standardized criteria to gather information on various components of care (e.g., personal hygiene, mobility, psychosocial) which helped identify potential barriers that may delay discharge. We also saw evidence that identified barriers were built into individual patient care plans, and any intervention strategies developed to address those barriers were documented.

5.1.5 Ability to Effectively Monitor Patient's Readiness for Discharge Needs Improvement

We expected multi-disciplinary teams to conduct meetings regarding patients including discussions related to medical readiness for discharge and estimated discharge date. Key decisions makers (e.g., most responsible physician)[18] *would be involved in the team meetings.*

Multi-disciplinary teams meet daily from Monday to Friday on the majority of units within each hospital. These meetings take place in one of two formats; either through a conference meeting where team members gather to discuss all patients on a particular unit, or through rounds at the bedside with the patient and team present. Management indicated Regina Qu'Appelle is expanding the use of bedside rounds as this provides an opportunity for patients to ask questions, and aids in the understanding of the patient's care plan including goals for discharge (e.g., stable vital signs, pain under control).

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[18] According to Regina Qu'Appelle's Most Responsible Physician Policy, the "most responsible physician" is defined as the physician who initiates the admission of the patient to the hospital and/or who coordinates the care of the patient. The most responsible physician is charged with completing the discharge summary at the time of discharge.

We observed a multi-disciplinary team conference meeting at one hospital as well as a bedside round at the other hospital. While the format of the meetings differed, we noted that discussions took place regarding patients' clinical readiness for discharge and the estimated discharge date. The meetings we attended included a wide variety of care providers (e.g., hospitalists,[19] nurses, social workers, dietitians). We observed that a hospitalist attended a portion of the meeting at one hospital to provide clinical information related to patients under their care.

Management stated that nurses routinely relayed clinical information from physicians to the multi-disciplinary team, but also noted that care planning is more effective when the physicians are able to attend the meetings. Management indicated that Regina Qu'Appelle recognizes the challenges in getting physicians (other than hospitalists and psychiatrists) to attend multi-disciplinary team meetings and acknowledges that increased physician involvement is necessary to improve patient care and discharge planning.

Readily available clinical information helps improve the estimate of the date of discharge. Management indicated that while the multi-disciplinary team provides its best estimate of discharge dates, these dates are often subsequently changed by physicians with little communication to the rest of the team, resulting in unexpected discharges or discharge delays.

As a result, patients may receive inconsistent messages regarding their estimated discharge date and the barriers that need to be addressed prior to being discharged. This may cause problems in establishing arrangements for post-discharge care and potentially impact the patient's well-being. It may also impact bed management as the bed may not be available as planned.

3. **We recommend Regina Qu'Appelle Regional Health Authority implement a strategy to facilitate communication with physicians to better coordinate patient discharge timeframes.**

5.1.6 Patients Not Always Adequately Prepared for Discharge

We expected:

- *Discharge care plans (i.e., patient instructions) to be provided to patients and/or their families at the time of discharge, and include information (e.g., follow-up appointments, referrals, teaching materials) to prepare patients for discharge.*
- *Visual aids (e.g., whiteboards) to be used to communicate estimated discharge date and goals) that the patient must achieve before discharge.*

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[19] According to the Regina Qu'Appelle website, a hospitalist is "a physician [employed by Regina Qu'Appelle] who specializes in caring for patients while they are in the hospital. While on duty, hospitalists do not see patients outside the hospital, therefore, they can give their complete attention to their hospital patients."

Regina Qu'Appelle's Standards of Nursing Care requires that each patient receive patient instructions including appropriate follow-up care with healthcare providers, medication lists, as well as referral and other pertinent instructions (i.e., information regarding sources/supply options). The standards indicate that patients can expect to have needed equipment and supplies identified/requisitioned, teaching materials provided, patient instructions explained, and family members/other caregivers contacted for transportation or interagency transfer prior to discharge.

For the patient files we examined, we found patient instructions were developed for all patients. However, the patient instructions did not always provide all the information needed to adequately prepare patients for discharge.

For example, we found:

- 5% of the patient instructions we examined did not contain a full assessment of the components of care (e.g., personal hygiene, mobility, psychosocial)
- One set of patient instructions we examined did not contain information on post-discharge medications
- 7.5% of the patient instructions we examined did not have evidence that the plan was shared and discussed with the patient
- 20% of the patient instructions we examined included no evidence of the transportation arrangements being made to get the patient home safely

Not preparing comprehensive documentation of the patient instructions increases the risk that patients may not be provided with all of the information needed to prepare them for discharge. For example, a lack of information on medications that a patient must take post-discharge increases the risk that patients may suffer a medication-related incident that could have serious negative health implications or cause unplanned re-admission.

4. **We recommend Regina Qu'Appelle Regional Health Authority follow its policy to document patient instructions and discuss those instructions with patients before discharge.**

Regina Qu'Appelle has provided whiteboards in patients' rooms for multi-disciplinary teams to use as a communication tool to help patients understand their estimated discharge date and discharge goals. However, we observed that the whiteboards were often left blank.

Whiteboards are an important communication tool for patients. Failure to provide relevant information on whiteboards can result in a missed opportunity to supply critical information to patients to help them meet their discharge goals. Providing this information will help patients understand the barriers they need to address prior to discharge and support a safe and timely discharge.

5. We recommend Regina Qu'Appelle Regional Health Authority consistently use aids (e.g., whiteboards at the bedside) to provide patients with critical information about the estimated discharge date and goals.

5.2 Lack of Transfer Information Putting Patient Safety at Risk

5.2.1 Support Network Coordinated for Patients Released Home (e.g., Family, Social Services)

For patients' discharged home, we expected:

- *Planning to include involvement of the multi-disciplinary team to identify potential barriers to discharge and develop interventions to address those barriers.*
- *Roles and responsibilities to be clearly set out.*
- *Patients to have access to necessary supports including active social work involvement in cases where a patient requires additional support upon arriving home.*

Regina Qu'Appelle has a process that staff use to manage and mitigate potential discharge barriers. The process sets out various steps to address the barriers that arise. A multi-disciplinary team member is to take responsibility if a barrier pertains to the member's area of responsibility. For example, System Wide Admission and Discharge Department social workers who work both within hospitals as well as in the community are to coordinate supports (e.g., arranging home care and other community services) needed for patients released home.

For the patient files we examined, we noted evidence of multi-disciplinary teams actively intervening (e.g., through consultations, ordering tests, arranging supports) to address barriers identified. We saw evidence these social workers actively managed patients who required coordination for social supports prior to being released home.

5.2.2 Long-Term Care, Home Care, and Other Services Facilitated as Required

We expected:

- *Planning for patients discharged to long-term care, home care, and other services (e.g., rehabilitation, palliative care) to include involvement of the multi-disciplinary team.*
- *Roles and responsibilities for discharge to long-term care facilities, home care, or other services to be clearly set out.*

- *Patient's eligibility for services to be based on greatest need (e.g., standard assessment tools in place). For patients requiring placement for community-based services, patients and caregivers to be involved in making discharge choices.*
- *Referrals to be made to long-term care services to take place in a timely manner.*

Regina Qu'Appelle clearly sets out roles and responsibilities for discharge to long-term care facilities, home care, or other services (e.g., rehabilitation, palliative care). Similar to **Section 5.2.1**, discharge planning to long-term care facilities, home care, and other services includes the involvement of a multi-disciplinary team to identify potential barriers to discharge and develop interventions to address those barriers.

The Program Access Committee (Committee) may offer advice and options for patients with complex needs. The Committee is to review access requests to all community-based long-term care services and programs. This includes prioritization and placement in long-term care facilities or for the provision of long-term care community-based programs such as respite, convalescent, palliative, or transition care and adult day support programs in long-term care facilities.

The Committee's terms of reference requires a number of standard assessment tools to be completed on each individual so services are granted based on greatest need. Based on these assessments, the Committee determines whether a patient is approved for placement in a long-term care facility or access to long-term care community-based programs.

Management indicated it only considers placement of patients into long-term care facilities after exploring all other options for care. When considering the need for placement, the social worker on the multi-disciplinary team completes a comprehensive patient assessment and presents it to the Committee for approval.

For the patient files we examined, we found that the patients requiring placement in a long-term care facility were properly approved prior to being placed in a long-term care facility in accordance with the Committee's terms of reference.

Regina Qu'Appelle's placement protocol provides a mechanism for involving patients in discharge choices related to long-term care while balancing limitations on the number of placements available. It requires that patients who need placement immediately must accept the first bed that is offered in any facility that can meet the client's care needs, with the option of later transferring to a facility of the client's preference. Patients are placed on a chronological transfer list and transferred when their preferred facility becomes available.

5.2.3 Transferring Information to Patient and/or Family and Post-Discharge Healthcare Providers Needs Improvement

Discharge Summaries

We expected:

- *Clear and documented guidance that set out what information discharge summaries must contain.*
- *Discharge summaries prepared to contain the information required by the Medical Staff Rules and Regulations.*
- *Discharge summaries to be completed and forwarded to the patient's family physician and/or other post-discharge healthcare providers in a timely manner.*

The discharge summary is a formal record prepared and signed by the most responsible physician used to transfer information from inpatient to post-discharge healthcare providers. The discharge summary provides a synopsis of a patient's admission to hospital and the clinical care provided, as well as information pertinent for the continuation of health care following discharge.

Regina Qu'Appelle has developed guidance in the form of a discharge summary template. The template outlines expectations for information to include in the discharge summary. It contains sections for physicians to fill out to capture information on diagnosis, interventions, discharge medications, discharge location, date record completed, date of discharge, and signature of physician.

In the patient files we examined, we found several instances where discharge summaries were missing key components. For example, in nearly half of the patient files, we found discharge summaries lacked information on medications that patients were to take post-discharge.

The Medical Staff Rules and Regulations set out expectations related to timeframes for recording and signing discharge summaries. According to the Medical Staff Rules and Regulations, "the dictated discharge summary and final diagnosis, written in full standard nomenclature, are to be recorded and signed by the most responsible physicians within seven days of the patient's discharge."

For the discharge summaries in the patient files we examined, we found:

- Nearly half were not recorded and signed in a timely manner (i.e., within seven days). Discharge summaries were frequently dictated months after patient discharge, and in one case, 263 days after the patient's discharge date.
- For almost 13%, there was no evidence that discharge summaries were forwarded to a patient's post-discharge healthcare provider. This issue was common to patients who were hospitalized then transferred back to their home facility (i.e., long-term care, palliative care).

- Where hospitalists prepared discharge summaries, they were completed in a timely manner and contained all information outlined in Regina Qu'Appelle's guidance.

Patient discharge summaries are the most common means of communication between inpatient and post-discharge healthcare providers. If important administrative and medical information is not provided to post-discharge healthcare providers in a timely manner, it increases the risk to patient safety. Following hospital discharge, a significant portion of patients experience errors in medication continuity, diagnostic workup,[20] or test follow-ups.[21, 22]

6. We recommend Regina Qu'Appelle Regional Health Authority ensure physicians complete discharge summary information on a timely basis as required by its rules for medical staff.

Medication Reconciliations

We expected:

- *Clear and documented guidance, tools, and templates to be available to staff to use to perform medication reconciliations at discharge.*
- *Medication reconciliations to be performed for each patient prior to being discharged.*
- *Medication reconciliation information to be shared with necessary parties in a timely manner (e.g., patient, caregivers, post-discharge prescribing physician, community pharmacy).*

A medication reconciliation is a formal process in which healthcare providers work together with patients, families and other healthcare providers to ensure accurate and comprehensive medication information is communicated consistently across transitions of care (e.g., when a patient enters a hospital, transitions to another service or provider, or is discharged home). A medication reconciliation requires a systematic and comprehensive review of all the medications a patient takes to ensure that medications being added, changed or discontinued are carefully evaluated at admission and discharge. It is a component of medication management and informs and enables prescribers to make the most appropriate decisions for the patient.[23] National healthcare organizations such as Accreditation Canada, Canada Institute for Health Information, Canadian Patient Safety Institute, and the Institute for Safe Medication Practices Canada all endorse the use of medication reconciliations.

A high proportion of adverse health incidents are drug related.[24] In Canada, 20% of patients discharged from acute care facilities experience an adverse incident, and of those, 66% are drug-related.[25] The total cost of preventable, drug-related hospitalization in Canada is about $2.6 billion per year.[26]

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[20] Diagnostic workup includes the procedures done to arrive at a diagnosis including history taking, laboratory tests, x-rays, etc.

[21] Test results pending that require action.

[22] Journal of Hospital Medicine: *Promoting Effective Transitions of Care at Hospital Discharge: A Review of Key Issues for Hospitalists.*

[23] www.ismp-canada.org/medrec (30 March 2015).

[24] Samoy, L.J., Zed, P.J., Wilbur, K., et al. (2006). *Drug-Related Hospitalizations in a Tertiary Care Internal Medicine Service of a Canadian Hospital: A Prospective Study*. Pharmacotherapy, 26, 1578-86.

Regina Qu'Appelle does not have a policy requiring medication reconciliations at discharge, nor does it provide hospital staff with guidance (i.e., templates) to assist in performing these reconciliations.

For the patient files we examined, we noted almost all patients received a listing of medications as part of their discharge instructions. We also noted that the two hospitalist patient files we examined contained medication reconciliations at discharge. However, we found that for nearly 87% of the patients where a physician discharged the patient, medication reconciliations were not prepared (i.e., by a nurse or member of the pharmacy team) and signed by the prescribing physician prior to discharge. Not performing a medication reconciliation prior to providing a list of patient medications elevates the risk of adverse medication-related incidents post-discharge.

Medication reconciliations can help to manage the risk that inaccurate medication information is communicated across transitions of care. While statistics are not available for Regina Qu'Appelle, there may be patients who have had adverse drug-related incidents or needed unplanned re-admission that could have been prevented by performing a medication reconciliation at discharge.

7. **We recommend Regina Qu'Appelle Regional Health Authority establish a policy for completing medication reconciliations prior to discharging patients.**

8. **We recommend Regina Qu'Appelle Regional Health Authority require staff to follow the policy for completing medication reconciliations prior to discharging patients.**

5.3 Discharges Not Taking Place in a Timely Manner

5.3.1 Access to Support Services Required to Minimize Delays

We expected each hospital to have a process in place to minimize delays caused by waits for diagnostic (e.g., radiology, x-rays) and other specialist/allied services (e.g., physiotherapy, pharmacy, dietetics).

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[25] Forster, A.J., Murff, H.J., Peterson, J.F., Gandhi, T.K., Bates, D.W. (2003). *The Incidence and Severity of Adverse Events Affecting Patients After Discharge from the Hospital*. Ann Intern Med, 4,138(3), 161-7.

[26] Hohl, C.M., Nosyk, B., Kuramoto, L., Zed, P.J., Brubacher, J.R., Abu-Laban, R.B., et al. (2011). *Outcomes of Emergency Department Patients Presenting with Adverse Drug Events*. Ann Emerg Med, 58(3), 270-279.

Management indicated that it uses the "D-System" along with daily bed management meetings[27] to identify and address discharge delays (including those related to diagnostic and allied services).

If an issue is identified during these meetings, Regina Qu'Appelle uses the process described in **Section 5.2.1** to manage the potential discharge barriers. Its process sets out how to resolve potential discharge delays on a patient-by-patient basis. We attended a bed management meeting and observed evidence of these discussions.

While a process is in place to address potential delays on an individual basis, we found Regina Qu'Appelle did not have a systematic process to minimize delays across the hospitals as a whole. For example, as described in **Section 5.4.1**, it does not gather information on the reasons for discharge delays attributed to specific support services or other causes.

Not capturing this information increases the risk that timely action may not be taken to address delays caused by support services.

5.3.2 Timing of Patient Discharges Not Being Optimized

We expected:

- *Strategies to be in place to optimize discharges (e.g., setting targets for percentage of discharges to occur before a specified time of day).*
- *Discharges to occur at a suitable time (e.g., early in the day) to facilitate bed management.*

Management and unit staff indicated time lags often occur between when the multi-disciplinary team recommends a patient be discharged and the time the physician writes the discharge order. As a result, although patients may be clinically fit for discharge, they unnecessarily occupy beds while waiting for a physician to issue the discharge order. We found that over 50% of discharges that occurred between March 1, 2014 and February 28, 2015 took place after 2 p.m.

In early February 2015, Regina Qu'Appelle established a target for 80% of discharges to occur before 2 p.m., with compliance expected by 2019. At February 2015, it had not developed strategies to help it achieve this target. For example, Regina Qu'Appelle could consider expanding the hospitalist program, utilizing pre-authorized discharge orders, or exploring the use of criteria-led discharge.[28]

When inpatients are discharged earlier in the day, patient flow in hospitals improves because new emergency admissions awaiting beds can leave the emergency department sooner and emergency waiting room backlogs are reduced. Discharging patients earlier in the day also has the potential to increase patient satisfaction.[29]

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[27] Daily bed management meetings occur at the Regina General and Pasqua hospitals. These meetings are attended by ward staff, other hospital staff, and employees of the region responsible for updating the electronic bed management system.

[28] Criteria-led discharge is a process which enables the most appropriate healthcare professional to discharge the patient (potentially nursing, allied health, or junior medical staff). This is achieved by providing supportive criteria for the discharge process and not relying solely on the admitting physician to make the decision.

[29] www.ncbi.nlm.nih.gov/pubmed/17464227 (5 March 2015).

9. We recommend Regina Qu'Appelle Regional Health Authority develop strategies to achieve its target to discharge patients early in the day.

5.4 Monitoring Performance Related to Patient Discharge Needs Improvement

5.4.1 Measures and Targets Needed for Assessing the Performance Related to Patient Discharge

We expected:

- *Key performance information related to patient discharge to be collected.*
- *Results to be compared against performance benchmarks.*
- *Timely action to be taken to address areas related to patient discharge performance that fall short of established benchmarks.*

Performance indicators enable hospitals to monitor the progress of initiatives, track their performance over time, and compare their performance with that of other hospitals and jurisdictions using the same indicators.

Regina Qu'Appelle has developed measures to monitor patient flow within hospitals. For example, it tracks:

- Re-admissions (i.e., the number of re-admissions; but does not analyze the cause of re-admission or capture information on costs of re-admission)
- Avoidable bed days (e.g., number of days patients are in an acute bed waiting for long-term care)
- Number of patients approved for placement but waiting for long-term care

Regina Qu'Appelle also collects information specifically related to discharge such as discharges occurring before 2 p.m. and the number of discharges taking place each day of the week. However, up until February 2015, limited analysis was performed related to the information captured. As noted in **Section 5.3.2**, Regina Qu'Appelle has now set a target of 80% of discharges occurring prior to 2 p.m. with compliance expected by 2019.

Regina Qu'Appelle also started assessing information on a performance measure directly related to discharge. In February 2015, it started to analyze the percentage of patients discharged before 2 p.m.

While Regina Qu'Appelle is collecting information and has established targets for most of the above measures, additional information on performance related to discharge could be collected and analyzed. Additional performance measures could provide valuable information to identify factors inhibiting safe and timely patient discharge. This can help management take timely action to address areas where improvement is needed.

Examples of additional performance-based measures could include:

- Planned compared to actual discharge date
- Number of delayed discharges by cause of delay
- Post-discharge patient satisfaction surveys including questions on discharge process

Once Regina Qu'Appelle has determined what performance information to collect and analyze, it should set targets and compare to actual results. While some performance information is being collected, more comprehensive analysis of patient discharge would highlight factors inhibiting timely and safe discharge.

10. We recommend Regina Qu'Appelle Regional Health Authority establish performance-based measures and targets for patient discharge.

5.4.2 Key Discharge Performance Indicators Not Reported to Senior Management and the Board

We expected key performance indicators to be regularly reported to senior management and the Board.

It is important that individuals with the authority to facilitate change when needed such as senior management and the Board review the performance measures discussed previously.

Regina Qu'Appelle's senior leadership attend patient flow "wall walks"[30] every two weeks to discuss various performance information related to patient flow. As of February 2015, this includes some discharge-related information. When we attended one of those meetings, we observed discussions regarding discharge including comparing actual data against established performance benchmarks (e.g., the 80% target related to discharge times).

Regina Qu'Appelle provides a strategic measures dashboard to the Board quarterly. This dashboard provides information on whether provincial strategies (i.e., better health, better care, better value, better teams) are being achieved. The report includes baseline information, targets, and performance tracking over time on two measures related to patient flow and bed management strategies (i.e., acute care beds occupied by long-term care patients awaiting placement, and length of time from decision to admit from emergency until patient is in appropriate bed). However, these 2014-15 reports did not include any information on discharge-specific measures.

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[30] A patient flow "wall walk" is a short, stand-up meeting which brings an area manager and staff together at the same time each day or week. The manager reviews the team's progress toward achieving regional or unit targets displayed on the area's visibility wall.

Once it has identified factors impacting discharge performance (as noted in **Section 5.4.1**), Regina Qu'Appelle should set targets, take actions, measure progress, and provide updates to senior management and the Board. These updates should describe its progress towards achieving its targets to ensure senior management and the Board have complete information on discharge performance.

11. We recommend Regina Qu'Appelle Regional Health Authority report on performance-based measures and targets for patient discharge to its senior management and Board of Directors.

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Chapter 15
Saskatchewan Government Insurance—Monitoring Certified Vehicle Inspection Stations

1.0 MAIN POINTS

On behalf of the Saskatchewan Auto Fund (Fund), Saskatchewan Government Insurance (SGI) is responsible for the provincial vehicle inspection program.

The program's objective is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with vehicle safety standards. The program includes certifying and monitoring about 930 certified inspection stations and more than 3,500 certified vehicle inspection technicians. It focuses on the safe driving condition of higher-risk vehicles including total-loss vehicles,[1] large commercial vehicles (e.g., buses, heavy trucks and trailers), and vehicles brought into the province from other jurisdictions.

We found that, for the 12-month period ended December 31, 2014, SGI did not have effective processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements. SGI needs to retain sufficient evidence to show that SGI staff carried out inspections of certified inspection stations as expected – one of its key monitoring activities. This includes maintaining sufficient evidence that certified Preventative Maintenance Program inspection stations completed vehicle maintenance consistent with the approved preventative maintenance plan (i.e., for large commercial vehicles).

Also, SGI needs to assess the risks for its vehicle inspection program, including the risks of non-compliance with inspection standards and the impact on public safety. This will enable it to develop a risk-based monitoring plan for its vehicle inspection program.

2.0 INTRODUCTION

As administrator of the Fund, SGI provides vehicle registrations, driver's licenses, and related services for approximately 778,000 drivers and 1.1 million vehicles and trailers in Saskatchewan.[2] Under *The Traffic Safety Act*, SGI is responsible for overseeing the certification and operation of inspection stations. Vehicle inspections improve vehicle safety and enhance the safety of the general motoring public.

This chapter describes the results of our audit of SGI's processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements.

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[1] In Saskatchewan, when the cost to repair a vehicle and the vehicle's salvage value are greater than the value of the vehicle, it is considered a "total loss."

[2] *2013 Saskatchewan Auto Fund Annual Report*, p. 8.

3.0 BACKGROUND

In 2012, Saskatchewan law enforcement identified vehicle condition as a contributing factor in five fatal collisions that occurred in Saskatchewan.[3] In total, vehicle condition contributed to approximately 2% of property damage and personal injury claims in Saskatchewan.[4] Examples of common vehicle conditions that contribute to collisions include defective brakes, suspension, and steering.[5]

Vehicles in safe driving condition reduce the risk of collisions resulting from mechanical defects. *The Vehicle Inspection Procedure Regulations, 2007* establish minimum standards for vehicle safety.

On behalf of the Fund, SGI operates a provincial vehicle inspection program to determine whether certain vehicles registered for use on Saskatchewan's roads are in safe operating condition to reduce the risk of collisions resulting from mechanical defects.[6] The objective of the vehicle inspection program is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with vehicle safety standards.

SGI's vehicle inspection program does not apply to all vehicles in Saskatchewan. Rather, the program targets vehicles brought into the province from other jurisdictions, total-loss vehicles, and large commercial vehicles. In 2014, approximately 118,000 vehicles were inspected out of the 1.1 million vehicles and trailers registered. The program is designed to help ensure total-loss vehicles are repaired correctly before being put into operation, and to protect consumers from unknowingly purchasing potentially unsafe vehicles.[7]

SGI requires most vehicles brought into Saskatchewan from out of province to pass a vehicle safety inspection before it registers them in Saskatchewan.[8] Also, it requires companies with large commercial vehicles (i.e., heavy trucks and trailers) to have those vehicles periodically inspected and complete routine maintenance to increase traffic safety.

SGI has assigned responsibility for administering the vehicle inspection programs to its Vehicle Standards and Inspection Department (Department). The Department consists of a support team, one manager, one supervisor, and seven safety officers (see **Figure 1** for Department expenses).

Under *The Traffic Safety Act*,[9] SGI is responsible for certifying inspection stations and individual technicians who meet the qualifications set out in legislation.[10] Certified inspection stations conduct inspections to verify that vehicles meet minimum standards for vehicle safety in Saskatchewan. SGI is also responsible for monitoring certified inspection stations and technicians for continued possession of the necessary qualifications and compliance with the legislation.[11]

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[3] *2012 TAIS Annual Report*, p.17. www.sgi.sk.ca/pdf/tais/TAIS_2012_03.pdf (23 July 2014). This report includes statistics on collisions that occurred in Saskatchewan including when out-of-province vehicles are involved in a collision.

[4] Ibid.

[5] Ibid.

[6] Obtained from SGI records at April 28, 2014.

[7] Ibid.

[8] www.sgi.sk.ca/individuals/registration/inspectionprograms/index.html (9 January 2015).

[9] *The Traffic Safety Act*, s.121.

[10] *The Vehicle Inspection Procedures Regulations, 2007*, (s.6-8) set out the qualifications.

[11] *The Traffic Safety Act*, s.123.

Figure 1—2013 and 2014 Vehicle Standards and Inspection Department Expenses

Expense	2013 Budget	2013 Actual	2014 Budget	2014 Actual
Salaries & Benefits	$ 1,118,607	$ 976,295	$ 1,089,755	$ 1,157,538
Other Expenses[a]	213,371	228,646	221,669	263,100
Total Expense	**$ 1,331,978**	**$ 1,204,941**	**$ 1,311,424**	**$ 1,420,638**

Source: Obtained from SGI internal records at January 6, 2015.
[a] Includes administrative, travel, tools, and supplies expenses.

At December 2014, Saskatchewan had 923 certified inspection stations that employed more than 3,500 certified inspection technicians.[12] In 2014, these inspection stations completed about 118,000 (2013 – 123,300) vehicle inspections consisting of:

- 43,600 light vehicle inspections (2013 – 42,000)
- 63,800 heavy commercial truck or trailer inspections (2013 – 71,700)
- 4,700 structural body integrity inspections (2013 – 4,600)
- 3,500 school bus inspections (2013 – 3,400)
- 2,400 motor coach or city bus inspections (2013 – 1,600)[13]

4.0 Audit Objective, Scope, Criteria, and Conclusion

The objective of this audit was to examine whether SGI had effective processes to monitor that certified inspection stations operated consistent with regulatory and internal policy requirements for the 12-month period ended December 31, 2014.

For the purposes of this audit, inspection stations included both businesses that complete inspections for others and businesses that complete inspections of their own vehicles. This audit also included monitoring of certified individual inspection technicians employed at these inspection stations.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SGI's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SGI's management agreed with the criteria (see **Figure 2**).

We examined SGI's processes for monitoring certified inspection stations and technicians by interviewing SGI staff and reviewing related documentation. We tested a sample of inspection station certifications, inspection station audits (i.e., monitoring activities), complaint investigations, and actions taken on identified incidents of non-compliance to determine whether SGI followed its processes. We also accompanied SGI staff to on-site visits to observe the certification, monitoring, and investigation processes.

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[12] Obtained from SGI records at January 15, 2014.
[13] Ibid.

Figure 2—Audit Criteria

1. **Certify vehicle inspection stations and inspection technicians**
    1.1 Verify applicants meet established requirements
    1.2 Resolve disputes with the certification process
    1.3 Issue appropriate certification
    1.4 Communicate inspection standards to certified inspection stations and technicians
2. **Monitor compliance of certified vehicle inspection facilities with standards**
    2.1 Use results of monitoring activities to set risk-based priorities in monitoring plan
    2.2 Identify non-compliance through completion of monitoring activities
    2.3 Investigate complaints about inspection stations and technicians
    2.4 Update monitoring plan to reflect risk
3. **Address identified non-compliance**
    3.1 Communicate action required for resolution of non-compliance
    3.2 Require prompt action on non-compliance
    3.3 Escalate action on continued non-compliance (e.g., suspend certification)
    3.4 Report key monitoring results

We concluded that, for the 12-month period ended December 31, 2014, Saskatchewan Government Insurance (SGI) did not have effective processes to monitor that certified inspection stations operate consistent with regulatory and internal policy requirements.

With respect to its certification processes, SGI had not set clear certification requirements for motorcycle technicians inspecting the safeness of motorcycles.

With respect to its monitoring processes, SGI did not formally assess or document the risks of non-compliance with inspection standards and the impact on public safety. It did not have a risk-based monitoring plan so that it could focus its monitoring activities on areas of higher risk. It did not retain sufficient evidence to show that staff carried out inspections of certified inspection stations (inspection station audits) as expected – one of its key monitoring activities. It did not provide its senior management with reports on whether its vehicle inspection program enhanced traffic safety and consumer protection as intended.

5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in italics, our key findings, and related recommendations.

5.1 Motorcycle Certification Requirements Needed

We expected the following. SGI would communicate established requirements that inspection stations and technicians must meet to be certified. It would maintain guidance to help staff assess applications for certification consistently and fairly, and would verify applicants' information. SGI would issue appropriate certification on a timely basis to appropriately-qualified applicants (i.e., within two weeks of verifying applicant information). It would communicate to certified inspection stations and technicians current vehicle inspection standards based on legislation and best practice. It would *provide orientation and training to new inspection stations and technicians on the inspection standards as necessary. SGI would resolve situations when applicants dispute its decision that they have not met requirements.*

SGI used its public website to provide information on how to apply for certification and to set out requirements that inspection stations and technicians must meet to qualify for certification. These requirements were consistent with those set out in legislation.[14]

Instead of maintaining written guidance for assessing applications for certification, SGI relies on the knowledge and experience of its safety officers to assess applications. Its safety officers must have journeyperson certificates, at least five years practical experience in the repair and maintenance of commercial vehicles, and thorough knowledge of vehicle inspection methods and standards. Before being hired, safety officers must pass a written technical assessment to confirm their knowledge of mechanical repair and maintenance, vehicle inspection methods and standards, vehicle standards and regulations, as well as provincial vehicle safety programs. Confirming these credentials provides SGI with comfort that its safety officers make consistent judgements when assessing applications.

For a sample of safety officers, we found their credentials were consistent with the requirements described above. During our on-site observations and interviews with the safety officers, they displayed a thorough knowledge of SGI's vehicle inspection methods.

SGI maintains a comprehensive listing of standards for vehicle safety in its *Vehicle Safety Inspection Manual* (Manual). The Manual contains SGI's inspection methods, vehicle standards, rationale supporting its inspection methods and vehicle standards, general information about the inspection program, and a current copy of *The Vehicle Equipment Regulations, 1987*.

We verified SGI's participation on the Canadian Council of Motor Transportation Administrators (CCMTA). We also observed examples where SGI used knowledge of developing standards at the national level to help keep the standards set out in its Manual up to date and consistent with industry best practice.[15]

To assess the accuracy of the information on applications from inspection stations and technicians seeking certification, SGI's safety officers visit the related inspection station to verify station specifications. Also, they are to use these visits to:

- Determine whether the inspection station had the appropriate equipment necessary to carry out the types of inspections and service for which the inspection station applied.[16] Potential inspection station categories include:
  - Retail inspection station – complete safety inspections for the public
  - Dealer inspection station – complete safety inspections for the public and for vehicles that the inspection station is selling
  - Preventative maintenance program (PMP) inspection station – complete safety inspections of the station's fleet of vehicles (e.g., long-haul carrier companies).

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[14] *The Traffic Safety Act* section 121, and *The Vehicle Inspection Procedures Regulations, 2007* sections 6-8.
[15] The CCMTA is a non-profit organization comprising representatives of the provincial, territorial, and federal governments of Canada which, through collective consultative process, makes decisions on administration and operational matters dealing with licensing, registration and control of motor vehicle transportation and highway safety www.ccmta.ca (14 December 2014).
[16] Inspection stations and technicians can apply to be certified to perform different types of inspections such as inspections of light vehicles, mid-size vehicles, heavy vehicles, taxis, buses, and trailers and of body integrity of vehicles.

Since December 2013, SGI has required all PMP inspection stations to implement and provide evidence of a preventive maintenance plan, and maintain a satisfactory carrier safety rating. As part of the certification process for PMP inspection stations, SGI reviews and approves the preventative maintenance program plan (PMP Plan).[17]

- Determine whether the inspection station was large enough to accommodate the types of vehicles (e.g., heavy vehicles, buses) it would be inspecting.
- Provide and explain SGI's inspection standards to inspection station staff.

SGI works with Saskatchewan Polytechnic to include specific training on SGI's Manual in relevant apprenticeship training courses for journeypersons (e.g., automotive, heavy-duty mechanics).

SGI requires certified technicians to have a set of technician's tools, be employed full-time by an inspection station, be capable of inspecting to the satisfaction of the safety officer, and be either an automotive repair journeyperson or an individual with at least three consecutive years of experience repairing vehicles. To verify requirements of technicians applying for certification, SGI safety officers review journeyperson trade papers and resumes, as well as hold conversations with potential technicians during on-site visits. SGI also requires technicians applying to inspect under the light vehicle or school bus programs to provide evidence that they have completed the three- or four-day course through Saskatchewan Polytechnic which covers inspection standards for those programs.

During 2014, SGI received 120 inspection station application forms of which it certified 98, rejected 8, and, at December 2014, was in the process of assessing 14 (i.e., pending).[18]

For the 30 certified applications in 2014 that we examined, we found SGI had retained appropriate supporting evidence showing it verified that each inspection station met the requirements. For the nine PMP inspection stations included in our sample, we found each of them had an approved PMP Plan.

We found that for the applications we tested, SGI issued certificates within two weeks after all required documentation was received and the inspection station certification visit had occurred. The issued certificates clearly identified the types of inspections (e.g., bus inspections) the inspection station and/or technicians could do, and the services the inspection station could offer.

In 2014, SGI certified 38 motorcycle technicians who certified 284 motorcycles (i.e., passed safety inspection) – 2014 was the first year of the motorcycle inspection program in Saskatchewan.

For two of five motorcycle technician applicants we examined, SGI did not have documentation that showed the technician's experience (e.g., at least three years relevant experience) and how it verified the technician had sufficient and appropriate experience. Unlike other types of vehicles where specific journeypersons exist, trade certification specific to motorcycles (e.g., motorcycle repair journeyperson) does not exist. As a result, for motorcycle technicians, SGI cannot use a review of journeyperson trade papers to help determine motorcycle technicians' capabilities. We found that, in the absence of a motorcycle trade certification, SGI had not set out what specific training or experience it required these technicians to have.

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[17] A PMP Plan is a planned maintenance schedule that sets out the maintenance to be completed on various parts of the vehicle and how often it will be completed (e.g., maintenance on brakes every set amount of kilometres).
[18] Technician applications are received and reviewed within related inspection station applications.

If SGI does not set requirements for training and experience of motorcycle technicians, there is increased risk that it may certify an insufficiently qualified technician, which in turn increases the risk that unsafe motorcycles are certified as safe. Riding unsafe motorcycles significantly increases the risk of accidents which may cause injury or death to riders and others.

1. **We recommend that Saskatchewan Government Insurance establish clear experience requirements that motorcycle technicians must meet to become certified under the motorcycle inspection program.**

During our on-site observations of inspection station visits, we noted that SGI safety officers provided SGI's Manual to inspection stations during the certification process. We further noted that SGI safety officers provided staff at inspection stations with reasons for the standards, upon request. When inspection standards were updated or when additional clarification on a standard was required, SGI emailed a bulletin to the signing officer at each inspection station to inform them of the update.

Also, SGI expected its staff to check, as part of its monitoring activities (i.e., inspection station audits), whether the inspection station was using up-to-date standards (including the most recent bulletins) issued by SGI. **Section 5.2** discusses the inspection station audits further.

SGI's Fair Practices Office received and tracked 151 inquiries/complaints related to the Vehicle Standards and Inspection Department.[19] We did not identify any instances of complaints related to SGI's inspection station or technician certification process.

5.2 Formal Assessment of Risks and Risk-Based Monitoring Plan Needed

We expected the following. SGI would use qualified staff to carry out its monitoring activities. SGI would assess the risk of certified inspection stations and technicians not complying with inspection standards and the resulting impact on public safety. It would develop a monitoring plan based on its risk assessment and update this plan based on risks identified through its monitoring activities. It would use this risk-based plan to monitor inspection stations. The monitoring plan would set out the objective of the inspection program, performance measures to monitor effectiveness of the program, and strategies and rationale for chosen monitoring activities. Monitoring would include conducting audits to determine whether inspection stations comply with inspection standards. It would re-inspect a sample of vehicles inspected by inspection stations. SGI would promptly follow up complaints about vehicle inspection stations and technicians.

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[19] SGI's Fair Practices Office is responsible for receiving, investigating, and, to the extent possible, resolving inquiries and/or complaints about SGI programs and processes. www.sgi.sk.ca/contact/fairpractices.html (14 December 2014).

While we found SGI's safety officers had the skills and experience necessary to effectively carry out monitoring activities (as discussed in **Section 5.1**), SGI risk management processes focused only on entity-wide risks (e.g., competition from other insurance companies, corporate strategy) and not on the risks of its various departments, including those of the Vehicle Standards and Inspection Department. As such, the Vehicle Standards and Inspection Department was not expected to and did not formally assess or document (i.e., likelihood or severity) the risk of certified inspection stations and technicians not complying with inspection standards or risks that would prevent SGI's vehicle inspection programs from being effective (e.g., insufficient or inadequate inspections, inspection stations not following approved PMP Plans) and the resulting impact on public safety.

Because Saskatchewan has over 900 certified inspection stations and over 3,500 certified technicians located throughout the province, SGI needs to identify and document its risks to enable the development of a risk-based monitoring plan. Without a formal risk assessment, SGI cannot ensure its vehicle inspection monitoring activities are sufficient and that it appropriately focuses its monitoring resources.

2. We recommend that Saskatchewan Government Insurance assess the risks for its vehicle inspection program.

SGI monitors that certified inspection stations and technicians comply with standards using the following processes:

- **Inspection station audits** – SGI expects its safety officers to visit inspection stations every 12 months. SGI includes in performance expectations of individual safety officers the types of inspection station audits that it expects officers to focus on during the year (e.g., 30% of audits conducted should be of light vehicles). Using these general guidelines, safety officers decide which inspection stations to audit and when. Inspection station audits include examining inspection equipment, the inspection station's copy of the Vehicle Safety Inspection Manual, and inspection station documentation (e.g., inspection reports, decals). They may include re-inspecting a vehicle recently inspected by the inspection station, especially when SGI identified inspection issues. Officers are to complete standardized audit forms that list key areas to inspect for compliance (see Required Inspection Area column in **Figure 4**).

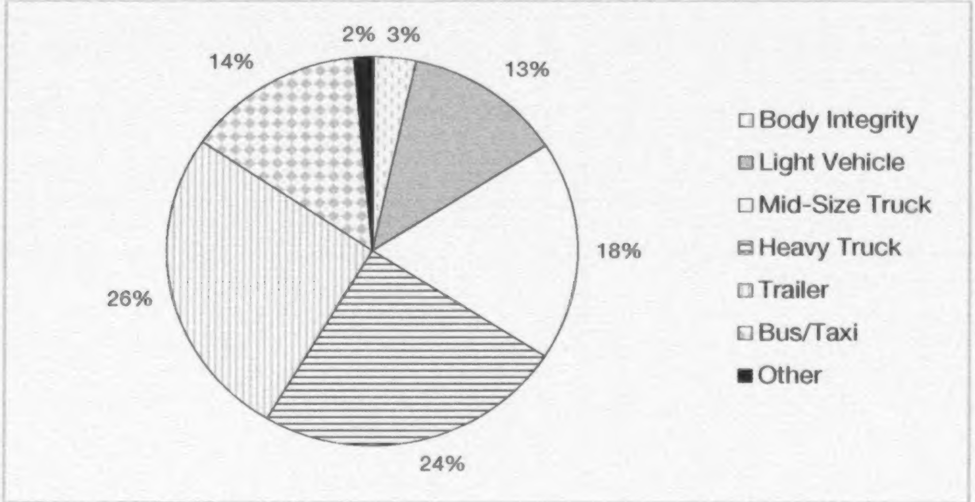
- **Complaint investigations** – SGI tracks and investigates, on a timely basis, complaints about inspection stations and technicians. This often includes re-inspecting vehicles to determine if non-compliance with inspection standards occurred.

- **Mystery shopper program** – SGI takes a vehicle that its safety officers previously inspected to an inspection station for an inspection. It compares the inspection station's inspection results to its results to identify inconsistencies.

SGI's 2014 inspection station audit plan indicated that it expected to audit 923 inspection stations (each certified inspection station every 12 months). In 2014, SGI carried out 553 inspection station audits (2013 – 460 inspection station audits) (see

Figure 3). This represents about 60% of certified inspection stations (2013 – 48% of certified inspection stations).

Figure 3—2014 Inspection Station Audits by Inspection Program



Source: Obtained from SGI records at January 14, 2015.
2013 inspection station audits by inspection program were: 3% body integrity, 13% light vehicle, 19% mid-size truck, 24% heavy truck, 24% trailer, 15% bus/taxi, 2% other (including motorcycles).

While SGI set some expectations for staff (e.g., 30% of inspection station audits should be light vehicles) to guide the extent of inspection station audits for certain types of vehicles, it did not do so for all vehicle types. Also, although the motorcycle inspection program was a SGI corporate priority for 2014, at December 2014, SGI had not formally set out the extent of inspection station audits expected for this type of vehicle.[20] Furthermore, SGI was unable to provide us with support for its expectations for individual safety officers as it had not formally assessed the risks for its vehicle inspection program.

Identifying the types of inspection stations and technicians that represent a higher risk would enable SGI to focus its monitoring activities on the areas of highest potential non-compliance or threat to public safety. Use of a risk-based plan to guide monitoring activities would help ensure that the vehicle inspection program maximizes its positive impact on public safety.

3. We recommend that Saskatchewan Government Insurance develop a risk-based monitoring plan for its vehicle inspection program including performance measures.

As part of its monitoring process, SGI re-inspects some vehicles inspected by inspection stations. In one of the 30 inspection station audits we examined, the audit included re-inspecting a vehicle, and for one of the inspection stations we visited, we observed a safety officer re-inspect a vehicle.

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[20] www.sgi.sk.ca/individuals/registration/inspectionprograms/motorcycleinspection-faq.html (9 January 2015).

For the 30 inspection station audits we tested, as shown in **Figure 4**, we found that although safety officers consistently used the audit forms, they often did not document whether they completed the required steps and the results of the required steps.

Figure 4—SGI Inspection Station Audits: Provincial Auditor of Saskatchewan (PAS) Audit Findings for each SGI Required Inspection Area

SGI Inspection Station Audit Form Required Inspection Area	Description of SGI Requirement	PAS Audit Findings
Tools and equipment	Must be in accordance with *The Vehicle Inspection Procedure Regulations, 2007* and appropriate given the programs for which the inspection station is certified.	Assessments were properly documented in all items tested.
Clerical work/inspection station performance report	Identify any errors within vehicle inspection reports the inspection station submits to SGI.	Assessment of performance reports was not documented in 3 of 30 instances.
Decal inventory status	Addresses completeness of reporting back to SGI (i.e., has SGI received as many inspection reports from the inspection station as the inspection station has issued decals).	Assessment of decal inventory status was not documented in 14 of 30 instances.
Bulletins	Addresses whether the inspection station is keeping its Safety Inspection Manual current for changes to inspection standards sent by SGI.	Assessment of inspection manual was not documented in 15 of 30 instances.
PMP[a] Station carrier safety rating	The CCMTA[b] has a carrier profile report for each PMP inspection station which includes CCMTA's rating that is based on convictions, reportable collisions, or violations found in the inspection stations' vehicle fleets. The PMP rating is available to SGI for all PMP inspection stations and can be used as a tool to determine whether an inspection station is in compliance with SGI's inspection standards.	Assessment of PMP rating was not documented in 8 of 10 instances.
PMP Station Maintenance files reviewed	Addresses whether the inspection station is completing preventative maintenance that it agreed to complete (e.g., as set out in PMP Plan).	Assessment of maintenance files was not documented in 6 of 10 instances.

Source: SGI Inspection Station Audit Form and results of Provincial Auditor of Saskatchewan testing.

[a] PMP – Preventative maintenance program.

[b] CCMTA – Canadian Council of Motor Transport Administrators. The CCMTA developed a National Safety Code (NSC) containing minimum standards for safe operating of commercial vehicles, agreed to by all jurisdictions in Canada.

When an audit identifies non-compliance that requires a warning or suspension, SGI's processes require staff independent of the person completing the audit to review the inspection station audit forms. For one of the 30 inspection station audits we examined that resulted in a warning letter, SGI's audit file did not contain all documentation required by the inspection station audit form. We found that the audit file did support the non-compliance communicated in the warning letter. Furthermore, the independent review of the audit file did not include ensuring completeness of audit documentation.

Incomplete documentation of monitoring activities increases the risk that inspection station audits are not completed as expected. This in turn increases the risk that unsafe vehicles are being certified.

4. We recommend that Saskatchewan Government Insurance, consistent with its established processes, clearly document the results of each inspection station audit.

As noted in **Section 5.1**, to help reduce the risk of unsafe vehicles (typically heavy vehicles and buses) on Saskatchewan roads, SGI allows PMP inspection stations to self-inspect and expects them to follow the PMP Plan that SGI approved as part of its certification of that inspection station (SGI-approved PMP Plan). SGI expects its staff, as part of its inspection station audits, to check that the certified inspection station followed this plan.

As noted in **Figure 4**, we found that for 6 out of 10 PMP inspection station audits that we examined, SGI did not document its review of the adequacy of the PMP inspection station's preventative maintenance and whether that maintenance was consistent with the SGI-approved Plan.

Incomplete documentation of SGI's review of PMP inspection stations' preventative maintenance increases the risk that PMP inspection station audits are not completed as expected. SGI's audits of PMP inspection stations are critical to confirm that certified PMP inspection stations completed preventative maintenance as planned. Lack of preventative maintenance increases the risk that unsafe heavy vehicles and buses are operating on Saskatchewan roads.

5. We recommend that Saskatchewan Government Insurance, consistent with its established processes, clearly document that certified Preventative Maintenance Program inspection stations complete vehicle maintenance consistent with the approved preventative maintenance plan.

For the 12-month period ended December 2014, SGI carried out 103 complaint investigations resulting in the suspension of the certification of 16 inspection stations and the decertification of 48 inspection stations.

Of the 10 complaint investigations we examined, 7 included vehicle re-inspection to determine the validity of the complaint. Also, all of the 10 complaint investigations we examined were started within one month after the complaint was received. Investigations took between one day and five months to complete, depending on the complexity of the concern. We found that SGI investigated complaints on a timely basis and revised the priority of its monitoring activities (i.e., inspection station audits) as necessary.

In December 2014, SGI conducted seven mystery shopper instances (2013: six instances). SGI determined that six out of the seven inspection stations incorrectly certified SGI's mystery shopper vehicle (i.e., considered the vehicle to have passed safety inspection when it should not have). It noted that inspection stations failed to identify vehicle condition that did not comply with standards such as inappropriate window tinting and air bags, or driver seat adjustment controls that were not working. As a result, it suspended two inspection stations and issued four inspection stations a warning.

With respect to the mystery shopper program, we found SGI followed its established process for selecting inspection stations; it selected inspection stations by region and where other monitoring activities had not recently taken place. The results of its investigations were clearly documented with appropriate actions taken to respond to identified non-compliance.

5.3 Non-Compliance Addressed but Program Results Not Sufficiently Communicated

We expected the following. SGI would give staff guidance on how to resolve identified cases of inspection stations and technicians not complying with inspection standards. Guidance would help ensure staff treat cases of non-compliance consistently. SGI would explain non-compliance concerns to inspection stations and technicians and require them to address non-compliance by a specified date. SGI would follow up non-compliance and escalate repeated or unresolved non-compliance. SGI would report key monitoring results to senior management and the Board.

SGI had a progressive discipline policy for staff to follow when inspection stations and technicians did not comply with inspection standards. This policy gave staff discretion to determine whether the issue could be resolved through other means during site visits (i.e., for lower-risk issues such as a minor error in paperwork, etc.) or whether formal action was necessary. For higher-risk issues (i.e., passing a vehicle as safe that did not meet the inspection standards), SGI expected its staff to prepare an incident report, which initiated a warning letter based on a standard template. It sent warning letters to inspection stations and/or technicians to communicate the non-compliance, required resolution, and consequences if non-compliance was not addressed within the required timeframe. SGI's progressive discipline policy set out consequences for continued non-compliance (e.g., when to suspend and when to decertify inspection stations due to non-compliance).

Through its monitoring activities, SGI identified about 65 issues of non-compliance with inspection standards during 2014. Common issues of non-compliance SGI identified included inspection stations making significant mistakes when completing inspection reports (36%) and inspection stations concluding that the vehicle met safety standards when it did not (56%). Safety officers indicated that the most common safety standards overlooked related to steering, brakes, and suspension.

For 10 non-compliance issues we examined, we found SGI clearly communicated why the inspection station and/or technician was not in compliance with the inspection standards and the consequences of continued non-compliance (typically via a warning letter). In one instance, SGI staff provided training at the inspection station to address the non-compliance rather than sending a warning letter. We found the deadlines SGI set for resolution followed its progressive discipline policy. For all items we examined, SGI completed appropriate follow up to determine whether the inspection station or technician complied by the deadline and took appropriate action as necessary.

Although SGI did not have formal policies setting out the inspection information to be reported to senior management or the Board, it had well-established reporting practices. Staff reported, using various ways, key results to senior management on the activities completed within the Vehicle Standards and Inspection Department. Senior management received reports on specific initiatives through regular meetings and performance reviews of the staff responsible for vehicle monitoring activities. Also, senior management reviewed and approved responses to all complaints SGI received about inspection stations and technicians we tested during the audit.

Annually, senior management received:

- A report on vehicle inspection information, including three-year trend information on the number of vehicle inspections completed, the number of certified inspection stations, and the average age of registered vehicles by vehicle type, etc.
- From SGI's Fair Practices Office,[21] a summary of the number of complaints related to vehicle standards and inspections

Annually, the Board and senior management received a report on traffic collisions in the province that provided a high-level overview of collisions where vehicle condition was a contributing factor.[22]

The Manual states that the objective of the vehicle inspection program is to enhance traffic safety and provide consumer protection by ensuring vehicles comply with SGI's standards. However, because SGI did not formally identify risks to the program or have a risk-based monitoring plan (as discussed in **Section 5.2**), senior management did not receive sufficient reports on the results of the vehicle inspection program (e.g., the impact the vehicle inspection program had on traffic safety, the quality and reliability of inspections completed by certified inspection stations). Without such reports it is difficult for senior management to determine the effectiveness of the program and to make decisions to adjust the program accordingly (e.g., increase or decrease program resources, change program objective or strategies).

6. We recommend that Saskatchewan Government Insurance report to senior management the results of its risk-based monitoring plan activities for its vehicle inspection program.

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[21] SGI's Fair Practices Office receives, investigates, and, to the extent possible, resolves inquiries and/or complaints about SGI programs and processes www.sgi.sk.ca/contact/fairpractices.html (4 December 2014).

[22] *2012 TAIS Annual Report* www.sgi.sk.ca/about/publications/collisionstats/index.html (14 January 2015). The annual report indicates that the information is compiled from law enforcement and SGI insurance claim records.

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Chapter 16
SaskBuilds—Evaluating Potential Use of P3s

1.0 MAIN POINTS

Public-private partnerships (P3s) are an approach for delivering public infrastructure (such as schools, hospitals, and highways) that involves significant participation by the private sector. Saskatchewan, like other jurisdictions, is increasing its use of P3s. SaskBuilds is responsible for coordinating, managing, and overseeing infrastructure projects, including the use of P3s.

Deciding to use a P3 involves multiple stages. These stages include evaluating whether a P3 approach is suitable for a particular infrastructure project, tendering the project, signing an agreement with a successful bidder, and constructing and operating the facility (which can extend for up to 30-40 years). This chapter focuses on the first stage, evaluating the suitability of using a P3 approach – we call this the business-case development stage.

The Government asked SaskBuilds to evaluate as potential P3s the following four projects: the Swift Current Long-Term Care Centre, the Regina Bypass, the Saskatchewan Hospital North Battleford – Integrated Correctional Facility, and nine joint-use schools. The Government estimates the total cost for all four projects to be from $2.5 billion to $3.5 billion.

This chapter reports that, SaskBuilds had, other than the following, effective processes for evaluating infrastructure projects at the business-case development stage to determine whether the projects should use a P3 approach. It needs to:

- Specify, at the start of its evaluation, the minimum estimated savings that a P3 approach must demonstrate over a conventional approach before it recommends to the Government to sign an agreement with a successful bidder. Setting such an amount would recognize the significant uncertainties in cost estimates. It would help reduce the risk of proceeding using a P3 approach where projected savings are only minimally better than a conventional approach, and may not materialize given the uncertainties.

- Make available to all of its risk workshop participants key empirical data to facilitate better evaluation of infrastructure project risks, calculation of related costs, and support for decisions. Providing such data would permit participants to review, consider, and challenge the information and would furnish a record of the basis of key decisions made in workshops.

In addition, SaskBuilds had not specified the minimum content required in its public value-for-money reports that it is to publish after the financial close. It had also not required the release of public value-for-money reports related to infrastructure projects within timeframes consistent with those set out in *The Executive Government Administration Act*. Furthermore, it needs to leverage its value-for-money analysis to evaluate and include feasible benefits and efficiencies in future public sector conventional approaches.

2.0 INTRODUCTION

The Government of Saskatchewan, consistent with other provinces, is increasing its use of public private-partnerships (P3s) for delivery of infrastructure and related services. In its *2014 Speech from the Throne*, the Government indicated that it was "leveraging the forces of innovation and competition through public-private partnerships." The Speech indicated the Government would "save hundreds of millions of dollars on P3 capital projects..." By January 2015, the Government had identified the following as potential P3 projects (in the indicated sectors):

- Swift Current Long-Term Care Centre (health care) – This is a 225-bed facility and the first of the four projects, mentioned here, to have proceeded to the contracting stage. The Government announced the successful bidder (the P3 partner)[1] on September 18, 2014 at a cost of $108 million.[2]

- Regina Bypass (transportation) – The Government expects this project to be the largest transportation infrastructure project in Saskatchewan's history.[3] It also indicates that it expects the bypass to take less than four years to build with construction commencing in the summer of 2015.

- Saskatchewan Hospital North Battleford – Integrated Correctional Facility (healthcare and justice) – The Government plans this to be a 188-bed replacement hospital for mental health and 96-room correctional facility that will house both male and female offenders.

- Nine joint-use schools (education) – This project is for the construction of nine joint-use schools in the communities of Saskatoon, Regina, Warman, and Martensville.

At January 30, 2015, the Government had not engaged a P3 partner for the last three projects noted above. The Government expects construction for these projects to begin in the summer of 2015.[4]

The cost of new infrastructure is expensive. The Government estimates the total cost for all four projects will be in the range of $2.5 billion to $3.5 billion.[5] It is important that the Government carefully consider available options to develop new infrastructure with appropriate regard to the use of public money over the entire life of that infrastructure.

2.1 Use of P3s in Canada

Governments sometimes use P3s for infrastructure projects that provide health, transportation, education or environmental services over an extended period (often up to 30-40 years). As shown in **Figure 1**, according to the Canadian Council for Public-Private Partnerships, from 2003-14, 11 Canadian governments participated in 218 P3 projects, of which 50% were in Ontario.[6] Over this period, governments in Saskatchewan participated in eight P3 projects including the previously mentioned four, as well as four municipal government projects.[7]

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[1] For simplicity, we refer to a single partner, although groups of private sector companies are common. Also, the words "partner" and "partnership" are used in a general, not legal, sense.

[2] Government of Saskatchewan media release September 18, 2014.

[3] www.highways.gov.sk.ca/Regina_bypass (5 February 2015).

[4] Source: www.saskbuilds.ca (6 February 2015).

[5] Source: SaskBuilds' projects documentation.

[6] Data generated from P3 Canada website: http://projects.pppcouncil.ca (11 December 2014).

[7] The City of Saskatoon North Commuter Parkway and Traffic Bridge Replacement, the City of Saskatoon Civic Operations Centre Phase One, the City of Regina Wastewater Treatment Plant, and the City of Regina Mosaic Stadium.

Figure 1—2003-14 P3 Projects by Province/Territory and Sector

Sector / Province/Territory	Defence	Education	Energy	Environment	IT Infrastructure	Gov't Services	Hospitals & Health Care	Justice	Real Estate	Recreation & Culture	Transportation	Total	Percentage
Alberta	-	3	1	4	-	-	1	1	-	1	7	18	8.26
British Columbia	-	1	2	8	-	-	13	4	2	2	8	40	18.35
Manitoba	-	-	-	1	-	-	-	-	-	-	4	5	2.29
New Brunswick	-	2	-	2	-	-	2	1	-	1	3	11	5.05
Ontario	1	3	2	7	-	4	55	11	1	11	14	109	50.00
Quebec	-	-	-	1	-	-	9	1	-	2	6	19	8.72
North West Territories	-	-	-	-	1	-	1	-	-	-	-	2	0.92
Nunavut	-	-	-	-	-	-	-	-	1	-	1	2	0.92
Nova Scotia	-	1	-	-	-	-	-	1	-	-	1	3	1.38
Newfoundland & Labrador	-	-	-	-	1	-	-	-	-	-	-	1	0.46
Saskatchewan	-	1	-	1	-	-	2	-	-	1	3	8	3.67
Total	**1**	**11**	**5**	**24**	**2**	**4**	**83**	**19**	**4**	**18**	**47**	**218**	**100.0**
Percentage	**0.46**	**5.05**	**2.29**	**11.01**	**0.92**	**1.83**	**38.07**	**8.72**	**1.83**	**8.26**	**21.56**	**100.0**	

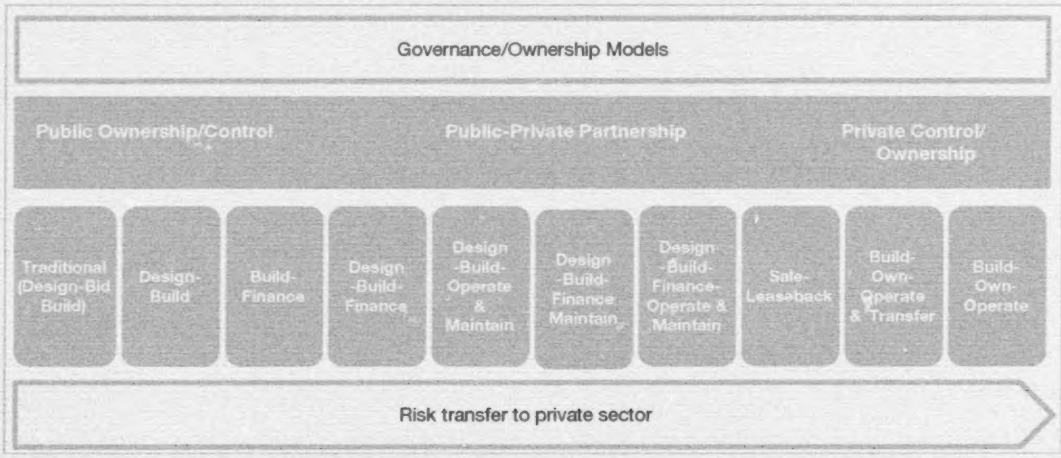
Source: Canadian Council for Public-Private Partnerships website.

2.2 What are P3s?

Historically, governments have built and operated public infrastructure directly. This method of procurement is typically referred to as "conventional procurement."[8]

P3s are a different way for governments to deliver public infrastructure (such as schools, hospitals, and highways). As shown in **Figure 2**, P3 arrangements can take different forms, depending on the nature and extent of private sector participation. Each form involves the private sector in the different phases of the project such as design, build, finance, operate, and maintain. These varying forms have given rise to the acronyms often used in relation to P3s, such as DBF, DBFM, and DBFOM.

Figure 2—Project Delivery Models


Governance/Ownership Models
Public Ownership/Control
Public-Private Partnership
Private Control/ Ownership
Traditional (Design-Bid Build)
Design-Build
Build-Finance
Design-Build-Finance
Design-Build-Operate & Maintain
Design-Build-Finance Maintain
Design-Build-Finance-Operate & Maintain
Sale-Leaseback
Build-Own-Operate & Transfer
Build-Own-Operate
Risk transfer to private sector

Source: P3 Canada, *P3 Business Case Development Guide*, p.12.

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[8] A conventional procurement can be considered as "design-bid-build", where a government prepares detailed asset design specifications and tenders its construction to a contractor. In doing so, a government will usually retain responsibility for design flaws and cost and/or schedule over-runs.

P3s differ from conventional procurement approaches in a number of ways. **Figure 3** outlines examples of often-cited differences between P3s and conventional procurement.

Figure 3—Examples of Often-Cited Differences Between P3s and Conventional Procurement Responsibilities and Authorities [a]

	P3 Procurement	Conventional Procurement
Project Phases	Can include elements of the following: design, build, finance, operate, and maintain; elements or several projects may be integrated into one bundle	Typically, elements are design, bid, and build; often elements of maintenance and operation are handled separately
Contracts	Performance based. Long-term, including operations and maintenance over extended period	Typically limited to design and build. Maintenance and operation are handled separately
Timing of Payments	Can include lump-sum contributions, and annual-service payments extending over life of the contracts	Progress payments over construction period with contractor fully paid upon completion of construction
Financing	Private sector (with possible government contributions)	Government
Stewardship	Management of constructed asset (subject to contract) remains with private sector for the life of the contract	Management of constructed asset remains with government
Risk Allocation	Risks allocated between government and private sector	Risks borne by government

Source: Adapted from presentation by CCAF-FCVI and Ontario Internal Audit Division, October 2014.[9]
[a] Many different types of P3 exist. The differences listed here are for illustration and are not necessarily present in all cases.

Typically, P3s are designed to:

- Gain benefits by integrating multiple phases or projects into one larger project
- Transfer risks (such as the risk of late construction completion or cost overruns) from government to the private sector partner
- Focus on the overall outputs or outcomes to be achieved
- Link payment to achievement of those outputs or outcomes[10]

Deciding which procurement approach is best includes calculating the costs of the various approaches. This includes costs that relate to various risks and the cost of a government paying the private sector to take on some of those risks. Certain costs in a P3 are inherently higher than in a conventional procurement, such as P3 financing costs (because the private sector pays more to borrow money than the public sector) and transaction costs (because additional costs are incurred to set up and oversee the complicated P3 contracts). Overall, the purported advantage of a P3 approach is that potential benefits (e.g., increased likelihood of being on time and on budget) outweigh these additional costs to government. The analysis to support these considerations is key to evaluating whether a P3 is suitable for an infrastructure project.

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[9] www.ccaf-fcvi.com/index.php?option=com_content&view=article&id=1164%3Aauditing-p3-projects-challenges-opportunities-and-lessons-learned&catid=121%3Aperformance-audit-q-presentations&Itemid=535&lang=en (17 December 2014).
[10] See "Managing Risks of Public Private Partnerships" in our *2014 Report – Volume 1*, Chapter 31 available at www.auditor.sk.ca.

2.3 Role of SaskBuilds in Evaluating Suitability of Projects for P3 Approach

In October 2012, Cabinet established SaskBuilds. At October 2014, SaskBuilds' Cabinet-appointed Board consisted of four members of Cabinet and two government Members of the Legislative Assembly.[11] Cabinet gave SaskBuilds the mandate to "undertake, co-ordinate, develop, manage and oversee infrastructure development projects."[12] SaskBuilds' mandate also includes advising upon, determining, and recommending to its Board the most effective and appropriate methods for advancing infrastructure projects, including using P3s.[13]

Cabinet made SaskBuilds responsible for evaluating the suitability of using a P3 approach on specific infrastructure projects. To do these evaluations, SaskBuilds was to work with the ministry responsible for the services the infrastructure project was expected to deliver. For example, the Ministry of Education is the Ministry responsible for the nine joint-use schools and the Ministry of Health for the Swift Current Long-Term Care Centre. SaskBuilds and the responsible ministry are to jointly submit recommendations for proceeding with the infrastructure project to Treasury Board (a committee of Cabinet) for approval. Ultimately, Cabinet decides whether to proceed with the use of a P3 approach for each infrastructure project analyzed.

As we reported in our *2014 Report – Volume 1*, public sector procurement always presents risks and challenges that a government must manage. P3s present additional risks and challenges.[14] If SaskBuilds does not do an effective job of evaluating infrastructure projects, it may not correctly assess the costs and risks of alternate approaches and may not correctly recommend if a P3 approach is appropriate. This could result in the Government using a P3 approach where it is not in the best interests of the public (e.g., it is more expensive or will not deliver the services when and where needed).

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SaskBuilds had effective processes, for the period of March 1, 2013 to January 30, 2015, for evaluating infrastructure projects to determine whether the projects should use a public-private partnership (P3) approach (i.e., at business-case development stage). We did not examine tendering and delivery of P3s, which occur later in the P3 process. We examined SaskBuilds' processes for evaluating potential P3s, including development of the business case.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SaskBuilds' processes, we used criteria based on P3 best practices. SaskBuilds' management agreed with the criteria (see **Figure 4**).

By January 30, 2015, Cabinet asked SaskBuilds to evaluate the four infrastructure projects – Swift Current Long-Term Care Centre, Regina Bypass, Saskatchewan

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[11] Order in Council 523/2014 dated 16 October 2014.
[12] Order in Council 550/2012 dated 17 October 2012.
[13] Ibid.
[14] *2014 Report – Volume 1*, Chapter 31 available at www.auditor.sk.ca.

Hospital North Battleford – Integrated Correctional Facility, and nine joint-use schools. We examined SaskBuilds' policies, procedures, and criteria that related to evaluating these infrastructure projects. For the four infrastructure projects, we examined contracts related to evaluating those projects and other documents. We interviewed key employees of SaskBuilds and participants in working groups. We examined the business cases and supporting documentation for the four projects and examined SaskBuilds' processes for creating and reviewing these business cases and reporting on progress.

Figure 4—Audit Criteria

1. **Set framework for evaluation**
    - 1.1 Specify requirements for evaluation (i.e., who develops business case and how)
    - 1.2 Set criteria for determination of recommended approach
    - 1.3 Maintain capacity to evaluate
    - 1.4 Specify reporting requirements (internal, external)
2. **Communicate with stakeholders on infrastructure procurement**
    - 2.1 Communicate evaluation framework requirements to stakeholders
    - 2.2 Provide advice on procurement options
    - 2.3 Fully understand government and user needs
3. **Prepare business case**
    - 3.1 Verify clear objectives meet government and user needs
    - 3.2 Establish reasonableness of assumptions
    - 3.3 Analyze costs and benefits over entire lifecycle of project
    - 3.4 Analyze project financing
    - 3.5 Analyze risks over entire lifecycle of project
    - 3.6 Demonstrate risk transfer
    - 3.7 Compare alternatives
    - 3.8 Determine recommended approach
4. **Confirm and communicate approach based on business case**
    - 4.1 Verify business case
    - 4.2 Meet reporting requirements (internal, external)

We concluded that, for the period of March 1, 2013 to January 30, 2015, SaskBuilds had, other than the following, effective processes for evaluating infrastructure projects at the business-case development stage to determine whether the projects should use a P3 approach. SaskBuilds needs to:

- **Specify, at the start of its evaluation, the minimum estimated savings that a P3 approach must demonstrate over a conventional approach before it recommends to the Government to sign an agreement with a successful bidder**

- **Make available to all risk-workshop participants key empirical data to facilitate better evaluation of infrastructure project risks, calculation of related costs, and support for decisions**

In addition, SaskBuilds had not specified the minimum content required in its public value-for-money report that it is to publish after the financial close, or required the release of public value-for-money reports related to infrastructure projects within timeframes consistent with those set out in *The Executive Government Administration Act*. Also, it needs to leverage its value-for-money analysis to evaluate and include feasible benefits and efficiencies in future public sector conventional approaches.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our expectations (in italics), key findings and recommendations related to the audit criteria in **Figure 4**.

4.1 Framework and Guidelines for Evaluation

4.1.1 Organizational Framework Established for Evaluating Projects and Communicating Decisions – Requirements for Public Reporting Not Yet Set

The primary tool for evaluating procurement approaches for an infrastructure project is preparation of a business case. Business cases examine qualitative and quantitative aspects of undertaking projects. The purpose of the business case is to determine whether project objectives (such as timely delivery and public safety) and value for money can be best achieved by a P3 or conventional approach. A P3 will be described as delivering value for money to the extent that the total costs over the lifetime of the project are estimated to be less than through the alternate approaches considered (this includes estimated costs attributed to risks that are transferred to the private sector or retained by government).

We expected SaskBuilds to establish an evaluation framework that would require the preparation of a business case for each project. We expected the framework to specify who should prepare business cases, the process and timing for their preparation, and their required contents. Also, it would specify reporting relationships of those involved and reporting requirements (internal, external).

We expected SaskBuilds to communicate its evaluation framework and requirements to stakeholders including key participants involved in evaluating procurement options. SaskBuilds would provide advice on procurement options.

In May 2014, the SaskBuilds Board approved its *P3 Project Assessment and Procurement Guideline* (Guideline). This Guideline reflected the practices SaskBuilds used prior to its formal release of the Guideline. The Guideline is available to the public on the SaskBuilds website.[15]

Consistent with **Figure 5**, the Guideline outlines SaskBuilds' P3 project governance, requirements for P3 business cases (such as qualitative and quantitative requirements), as well as project procurement information. It describes how SaskBuilds leads the development of the business case, working with the responsible ministry. It also notes that SaskBuilds' Board is responsible for submitting, jointly with the responsible ministry, decision items to Treasury Board and Cabinet for approval.

SaskBuilds' framework identifies the key participants in evaluating procurement options for selected projects and defines their responsibilities and reporting relationships. SaskBuilds used this framework in evaluating the projects Cabinet asked it to assess.

As specified in the Guideline, SaskBuilds' framework provides for public release of a value-for-money report after the close of the procurement process at the financial close (i.e., once the Government has signed an agreement with the successful bidder). The objective of value-for-money reports is to provide the public with an understanding of the project and basis for the Government's decision to use a P3 procurement approach.

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[15] www.saskbuilds.ca (16 October 2014).

We found that the Guideline does not set out the minimum information to include in a value-for-money report. Value-for-money reports typically include at a minimum:

- A description of the project including the public sector and private sector partners
- Approaches considered (e.g. DBFM, DBFOM)[16]
- Costs of procurement options considered
- Value-for-money assessment including a description of key risk allocations
- Processes used to select private sector partners
- Summary of key terms from the agreement
- Financial details including the aggregate net-present-value of all bids, the public sector comparator, and aggregate total of required payments under the agreement (see **Figure 7**)[17]

Some value-for-money reports include additional information. For example, the City Of Regina's *Wastewater Treatment Plant Expansion & Upgrade Project Value for Money Report (July 24, 2014)*[18] discloses the discount rate and the inflation rate assumptions that the City used in its value-for-money analysis.

1. We recommend SaskBuilds specify the minimum content required in its public value-for-money report that it is to publish after the Government signs an agreement with the successful bidder (i.e., financial close).

Also, unlike other key accountability reports,[19] the Guideline does not specify the timeframe in which SaskBuilds must make this report public (e.g., 120 days after close of the procurement process). We found that at January 30, 2015, SaskBuilds had not yet released the value-for-money report for the Swift Current Long-Term Care Centre project, for which SaskBuilds signed the agreement with the successful bidder in September 2014.

Not specifying a timeframe in keeping with other key accountability reports increases the risk that the public will not receive timely information about procurement decisions. Also, determining and advising participants at the outset, when SaskBuilds plans to make public its value-for-money reports will help ensure reports are prepared and ready for issuance within a reasonable time.

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[16] DBFM – refers to design, bid, finance, and maintain: DBFOM- refers to design, bid, finance, operate, and maintain
[17] Adapted from *Alberta's Public-Private Partnership Framework and Guideline*, p. 89.
[18] www.p3canada.ca/en/about-p3s/p3-resource-library/regina-wastewater-treatment-plant-value-for-money-report/ (April 10, 2015).
[19] Key accountability documents include annual reports, which under *The Executive Government Administration Act* (s.13), must be tabled within 120 days after the end of the period to which the document relates.

2. We recommend that SaskBuilds require release of public value-for-money reports related to infrastructure projects within timeframes consistent with those set out in *The Executive Government Administration Act.*

Consistent with the Guideline, we found the following for each of the four projects:[20]

- SaskBuilds created a steering committee to oversee the project and preparation of the business case, provide direction to the core project team, and to provide recommendations to SaskBuilds' Board. Members of the steering committees included the SaskBuilds' Chief Executive Officer, and a senior representative of the responsible ministry, such as the Deputy Minister of Education for the Joint-Use Schools Project.

- SaskBuilds assembled a core project team to review major issues and options, and provide advice and recommendations to the steering committee. The core project team reported to the steering committee. Members of core project teams included the project director (a SaskBuilds representative) and a team member representing the responsible ministry. The Guideline refers to including representation on the core project team from the ministries of Finance and Justice. We found that SaskBuilds had not done this for all four projects at the evaluation stage.

- SaskBuilds assembled various working groups for specific subject areas including communications, legal, procurement, financial, and technical. Each of these working groups reported to the core project team. These groups involved representatives from SaskBuilds, the related responsible ministry, other government agencies, as well as external advisors. The working groups were responsible for their specific subject areas within the evaluation process. For example, the financial working group's responsibilities included working with external advisors in the development of the financial model used in the business case analysis, and helping secure Treasury Board and other funding approvals.

- SaskBuilds held frequent (e.g., weekly or biweekly) conference calls between all of the various working groups on a project. It used these conference calls to update the working groups on a project's status.

- SaskBuilds' Board reviewed the evaluations and recommendations as set out in the business cases prior to submission to Treasury Board and Cabinet.

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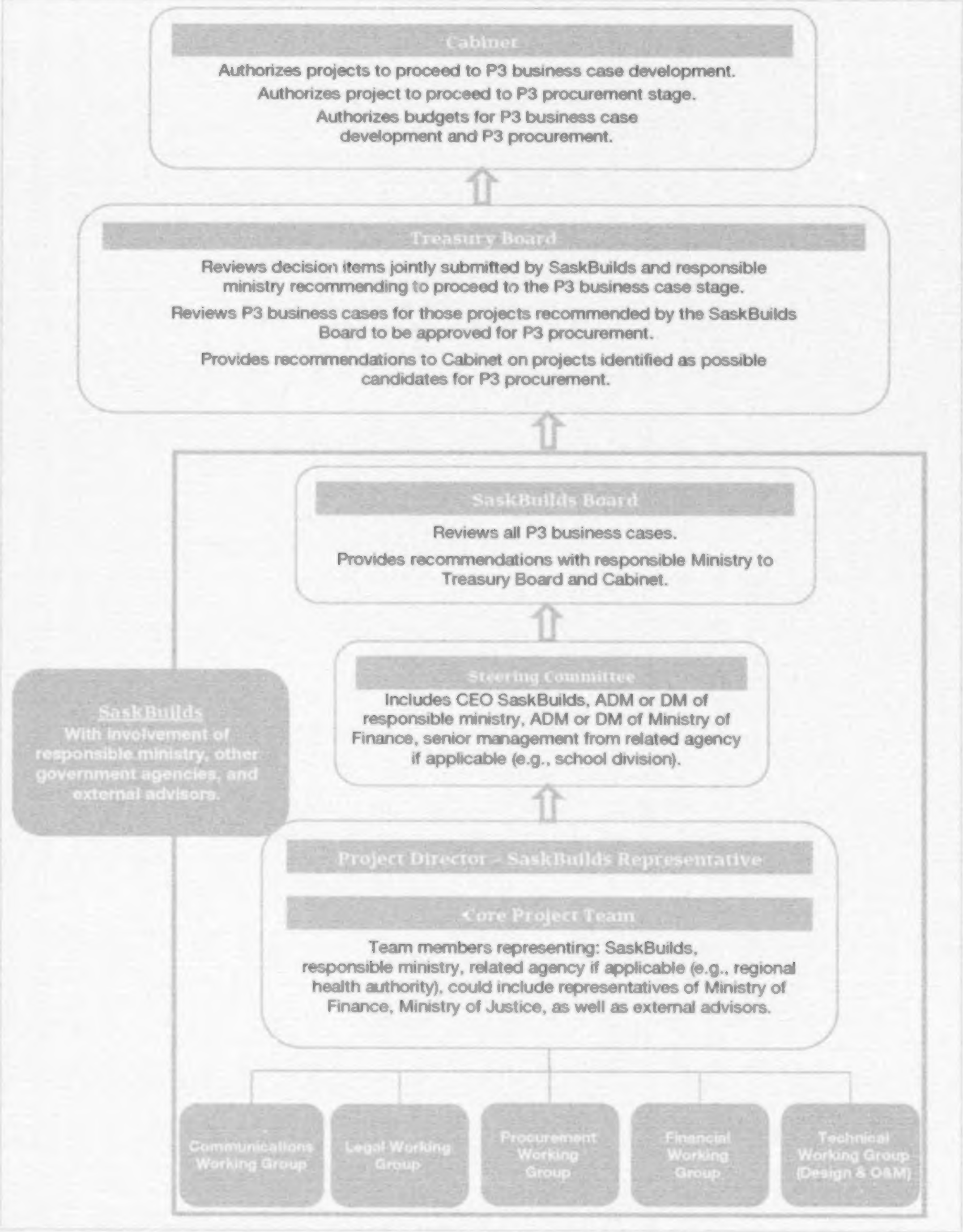
[20] Note that certain activities related to the Swift Current Long-Term Care Centre occurred before the creation of SaskBuilds.

Figure 5—Responsibilities and Authorities Related to Deciding on Use of a P3 Approach


Cabinet

Authorizes projects to proceed to P3 business case development.

Authorizes project to proceed to P3 procurement stage.

Authorizes budgets for P3 business case development and P3 procurement.

Treasury Board

Reviews decision items jointly submitted by SaskBuilds and responsible ministry recommending to proceed to the P3 business case stage.

Reviews P3 business cases for those projects recommended by the SaskBuilds Board to be approved for P3 procurement.

Provides recommendations to Cabinet on projects identified as possible candidates for P3 procurement.

SaskBuilds Board

Reviews all P3 business cases.

Provides recommendations with responsible Ministry to Treasury Board and Cabinet.

SaskBuilds

With involvement of responsible ministry, other government agencies, and external advisors.

Steering Committee

Includes CEO SaskBuilds, ADM or DM of responsible ministry, ADM or DM of Ministry of Finance, senior management from related agency if applicable (e.g., school division).

Project Director – SaskBuilds Representative
Core Project Team

Team members representing: SaskBuilds, responsible ministry, related agency if applicable (e.g., regional health authority), could include representatives of Ministry of Finance, Ministry of Justice, as well as external advisors.

Communications Working Group
Legal Working Group
Procurement Working Group
Financial Working Group
Technical Working Group (Design & O&M)

Source: Adapted from SaskBuilds Project Assessment and Procurement Guideline.

4.1.2 Use of Minimum Estimated Savings to Support Use of P3 Could Mitigate Risks Posed by Uncertainty Inherent in Costs

Across Canada, governments have used similar methodologies for the development of P3 business cases. While the methodologies contain certain differences (e.g., different discount rate methodologies), they all require preparation of business cases to set out analysis of risks and costs for projects and compare conventional and P3 approaches.

We expected SaskBuilds to use and document its methodology for developing business cases for each project to compare P3 procurement approaches against conventional procurement approaches. We expected SaskBuilds to set criteria to help it recommend a procurement approach to deliver the project (e.g., recommend to proceed as a P3 or not).

We found that the business cases for each of the four projects included consideration of the following two factors set out in SaskBuilds' Guideline. The Guideline specifies that, to proceed to a business case, potential projects should:

- Meet threshold criteria on the importance, size, and complexity of the project. The responsible ministry must identify the project as a priority. The project must be large-scale, complex, and with a capital cost of $100 million or greater.[21]

- Satisfy qualitative considerations. As reflected in **Exhibit 6.1**, these considerations include areas such as technical requirements, public acceptability, land availability and location, and timing of the project.

Even though SaskBuilds finalized its Guideline after it started evaluating projects, it used methodology generally consistent with the Guideline to evaluate the four projects. Following its methodology, SaskBuilds, with the assistance of external advisors, developed business cases to identify and compare alternate procurement approaches (e.g., P3 versus conventional) for each of the four projects.

SaskBuilds' methodology set out detailed requirements for business cases. It included the following criteria for adoption of the recommended approach. The Guideline states that the overarching policy is that, to support proceeding as a P3, the business case must demonstrate that the P3 approach will:

- Deliver greater value for money[22] than a conventional procurement approach

- Deliver infrastructure qualitatively equal to or better than that delivered by a conventional approach

- Not compromise related service delivery[23]

In our view, the "greater value for money" aspect of this policy is unclear as to what constitutes "greater value for money than a conventional procurement approach." That is, it implies the use of a straight comparison of estimated costs (a "pass/fail" approach). Clarification is important so that the decision to proceed with the use of P3 sufficiently takes into account the potential impact of the high degree of uncertainty inherent in value-for-money cost calculations.

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[21] Guideline, p. 14. SaskBuilds is permitted to consider projects with a capital cost of $50 million in certain circumstances.

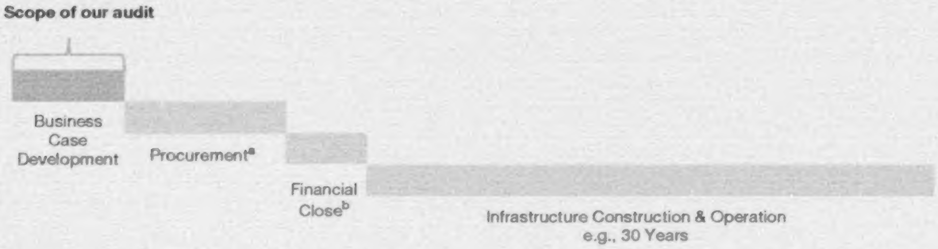
[22] According to P3 methodologies, including the SaskBuilds Guideline, a value-for-money business-case analysis compares the costs of a conventional procurement (referred to as the Public Sector Comparator or PSC) to a P3 procurement (referred to as the Shadow Bid or SB). As noted, a P3 will be described as delivering value for money to the extent that the total costs over the lifetime of the project are estimated to be less than through the alternate approach.

[23] Guideline, p. 7.

High degree of uncertainty in costs exists at the business case stage because of the extensive use of assumptions and estimates (see **Figure 6**). This uncertainty is reduced, although not eliminated, as value for money is reassessed at each stage (e.g., at procurement, and financial close). As reflected in the Guideline and in **Figure 6**, SaskBuilds can discontinue a project at any stage until it signs a contract with a private sector partner (i.e., the successful bidder) at the financial close.

Uncertainty means actual results may differ significantly from estimates, which could result in projects not achieving projected savings or benefits. We found that SaskBuilds' estimates of value for money in the business cases for the four projects, using P3 approaches for each, ranged from under 4% to 13%. The extent of uncertainty at the business case stage could result in the comparison of the costs of the P3 approach not necessarily being greater than a conventional procurement approach. For example, the business case for one project indicated that a 1% increase in the planned private sector financing rate would have the effect of reducing the expected value for money to less than 1% of the cost of the project (i.e., the cost of using the P3 approach would have been essentially the same as using a conventional procurement).

Figure 6—Stages of a P3 Project


Scope of our audit
Business Case Development
Procurement[a]
Financial Close[b]
Infrastructure Construction & Operation e.g., 30 Years

[a] Request for qualifications from private sector bidders are received and assessed, proponent teams are selected and request for proposals are received from proponent teams.

[b] Project agreement with private sector partner is signed at the end of this stage.

At each stage up to the financial close, SaskBuilds can return to its Board, Treasury Board, or Cabinet for decisions about whether to proceed with the project and with the recommended approach. Also, at each stage, it can recalculate whether a P3 approach would deliver value for money.

Source: Adapted from *SaskBuilds Project Assessment and Procurement Guideline*, p. 11.

When determining "greater value for money," taking into account the high degree of uncertainty is important when "greater value for money" is a key factor used to justify the choice between a P3 and conventional procurement. Setting a "cushion" (minimum amount of estimated savings)[24] can help take into consideration the possible impact of actual costs differing from estimates. It helps decision makers avoid proceeding with a P3 approach, at financial close, where the projected savings under the P3 approach are only minimally better than the conventional approach – savings at risk of not materializing given uncertainties. We discuss the uncertainty inherent in estimated costs further in **Section 4.3.3**.

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[24] A cushion could reflect a minimum required percentage or dollar amount that estimated costs of a P3 must be less than estimated costs of the conventional procurement approach.

For three of the four projects, SaskBuilds' approach did not set out a "cushion" at the business-case development stage, before deeming the P3 approach delivered "greater value for money" over the conventional procurement approach. Management indicated that it does not expect a minimum estimated amount of savings (other than having positive value for money) that must be met at the financial close of the project before SaskBuilds recommends a P3 approach.

Setting a cushion at the start of the evaluation and using it throughout the process would reinforce to all participants and decision makers the uncertainty inherent in the estimated costs. Furthermore, the setting and use of a cushion reduces the risk of decision makers proceeding with a P3 approach, at financial close, where the projected savings under the P3 approach are only minimally better than the conventional approach – savings that may not materialize given uncertainties.

3. **We recommend that SaskBuilds specify, at the start of its evaluation, the minimum estimated savings that a P3 approach must demonstrate over a conventional approach before it recommends to the Government to sign an agreement with a successful bidder.**

4.1.3 Capacity to Evaluate Business Cases Exists

We expected SaskBuilds to maintain capacity to evaluate whether infrastructure projects should proceed as P3s.

Since its creation in 2012, SaskBuilds has developed its in-house capability to evaluate and manage P3s, and to monitor and review the work of the external advisors. For example, to help build capacity, SaskBuilds used the expertise of Partnerships British Columbia[25] from 2013 to 2014 to assist it in managing the development and review of P3 business cases. Also, it leveraged expertise of staff from the related responsible ministry in the business case development stage. By January 2015, SaskBuilds had added expertise in areas such as project management, finance, engineering, and accounting.

4.2 User Needs Understood

To develop a business case, SaskBuilds and the responsible ministry must know the needs of government and users. We expected SaskBuilds to take steps to fully understand government and user needs for infrastructure it was considering.

SaskBuilds expected each related responsible ministry, with relevant agencies (e.g., regional health authorities or school divisions), to identify the user needs for its project and provide SaskBuilds with documents that set out the identified needs and related project design requirements (e.g., needs, design plans, and planned uses).

For each project, we found that SaskBuilds reviewed documents to determine whether they sufficiently outlined the project requirements, and sought additional information where it deemed necessary. This included discussing different ways to deliver services (e.g., exploring how different approaches could address needs). SaskBuilds, through its group and committee structure, incorporated the user needs and requirements in the development of the related business case.

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[25] Partnerships British Columbia is a corporation owned by the Government of British Columbia. It assists public-sector agencies in planning and procurement of complex capital projects. www.partnershipsbc.ca (10 January 2015).

4.3 Process Analysis in Business Cases Needs Improvement

We expected SaskBuilds to prepare business cases for each project. Business cases would analyze the costs and benefits of projects. Analysis would include calculation of the value for money of the project with a comparison of the estimated costs and risks under both conventional and P3 procurement approaches.

4.3.1 Preparatory Steps Carried Out

In the preparation of the business case, we expected SaskBuilds to:

- *Verify clear objectives meet government and user needs*
- *Analyze project financing*

We also expected the business case to clearly document the results of each of these steps.

The length of the business cases for the four projects varied from less than 100 to almost 150 pages, in addition to supporting documents. We found SaskBuilds prepared business cases for each of the four projects generally consistent with steps to determine the value for money of a P3 as set out in **Figure 7** and its Guideline.

We found that the business case of each project showed that SaskBuilds:

- Incorporated the needs and requirements that the responsible ministry and, where applicable, related agencies (e.g., regional health authority) had identified.
- Engaged various external advisors[26] to help it prepare the business case. For example, external advisors developed financial models and helped evaluate the value-for-money (i.e., savings) for the different procurement options.
- Consulted with the private sector to help assess the private sector's market interest in the project, and to help analyze and estimate finance costs (e.g., determine the optimal timeframe for funding the project and then calculate the associated financing costs).

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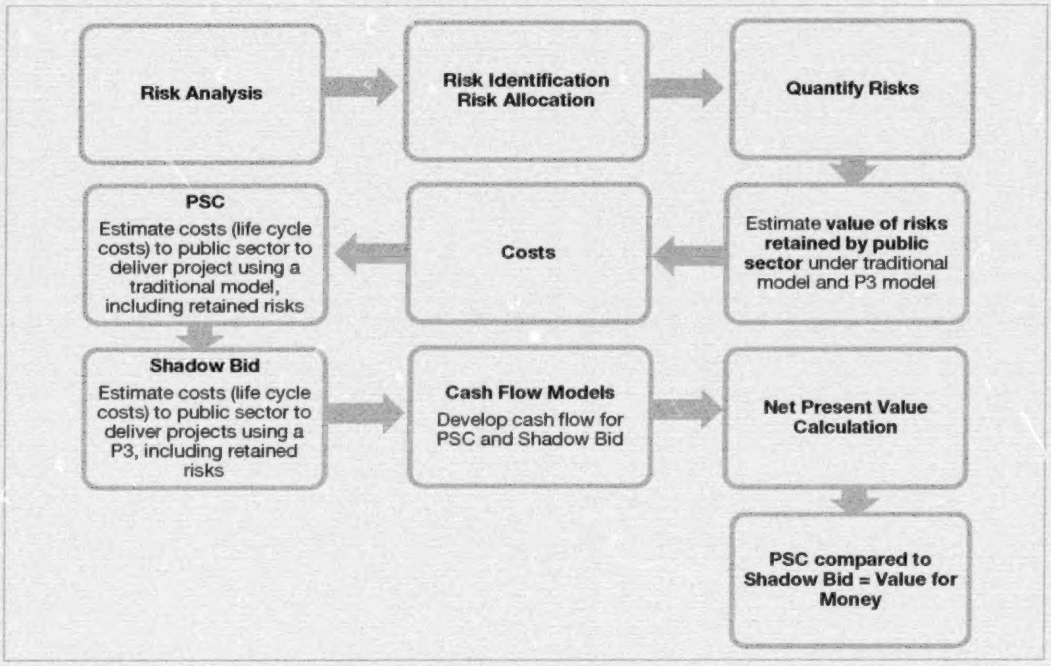
[26] External advisors included technical, financial, and capital market advisors.

Figure 7—Steps in a Value-for-Money Analysis


Risk Analysis
Risk Identification
Risk Allocation
Quantify Risks
PSC
Estimate costs (life cycle costs) to public sector to deliver project using a traditional model, including retained risks
Costs
Estimate value of risks retained by public sector under traditional model and P3 model
Shadow Bid
Estimate costs (life cycle costs) to public sector to deliver projects using a P3, including retained risks
Cash Flow Models
Develop cash flow for PSC and Shadow Bid
Net Present Value Calculation
PSC compared to Shadow Bid = Value for Money

Source: *SaskBuilds Project Assessment and Procurement Guideline*, p. 20.
PSC means public sector comparator—this assumes a conventional procurement approach; **Shadow bid** assumes a P3 procurement approach.

4.3.2 Process for Allocation of Risks and Benefits Needs Improvement

To prepare business cases, we expected SaskBuilds to:

- *Analyze risks over the entire lifecycle of projects under each procurement method*
- *Demonstrate risk transfer*
- *Use, to the extent possible, related documented information (e.g., past historical prices, results of similar projects).*

We expected business cases would clearly document the results of each of these steps.

We found that SaskBuilds, in conjunction with its teams, used a detailed framework and a consistent process to analyze risks for each business case. To mitigate the risk of reliance on a single individual's or external advisor's view of risk, as reflected in **Figure 5** and previously discussed in **Section 4.1.1**, it used a committee approach.

SaskBuilds conducted risk workshops to consider risks and allocate costs to the risks. The workshops for each project involved the related responsible ministry or ministries and additional agencies as required (e.g., school divisions), the SaskBuilds project director, other SaskBuilds' project team members, and external advisors.

Figure 8—Potential Project Risks

Potential project risks include:

- Site risk including physical suitability, availability, environmental, historical resources, statutory approvals, conventional land use, geotechnical, permitting risk
- Design, construction and commissioning risk
- Contractual risk including that the private sector party, its sub-contractors, or the public sector will not fulfill their contractual obligations
- Financial risks including that private financing will not be available, that the project cannot be financed competitively, changes in the financial parameters before financial close, or that the project fails financially later
- Operating and performance risk
- Industrial relations risk
- Demand or usage risk
- Asset ownership risk including latent defect, obsolescence, upgrade, residual and force majeure
- Change in law

Source: SaskBuilds, *Project Assessment and Procurement Guideline*, p. 21.

Risk workshop participants:

- Started with a preliminary list of risks (i.e., risk register) and attempted to determine all risks for that project over its entire lifecycle. Consistent with **Figure 8**, risk categories analyzed included: site risk, design and construction risk, contractual risk, financial risk, operating and performance risk, industrial relations risk, demand or usage risk, asset ownership risk, and changes in law.[27]
- Analyzed and assessed each risk using their collective judgment and experience. SaskBuilds required that participants of the risk workshops reach a consensus before proceeding further in the analysis of risks.
- Further analyzed risks to identify their significance and to assess the probability of occurrence at low, high, and most likely (called a risk triangulation).

The external advisors, in preparing financial models for the value-for-money analysis, input the risk triangulation into a statistical simulation model to estimate the cost (i.e., the value) of each risk.[28]

We found that, for each project, the participants identified which:

- Risks the public sector would retain (e.g., scope changes during the project)
- Risks to transfer to the private sector (e.g., construction delays or rehabilitation costs)
- Risks the public and private sectors would share (e.g., certain environmental conditions)

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[27] Guideline, p. 21.

[28] This was done through use of a Monte Carlo Analysis. This is a statistical simulation that runs many scenarios to estimate the probability of certain risks occurring.

We found that the business case of each project documented the project's risks and evaluations of those risks (their probability of occurrence, potential impact, cost).

The Guideline states that sources of information for costs should be based on the best available evidence that would typically include "internal government records of historical prices" and "review of past similar projects."[29] SaskBuilds advised us it expected workshop participants and external experts to share their experiences using their organizations' data. Participants in the workshops shared their knowledge and expertise, participating in detailed risk discussions. However, we did not find evidence that participants consistently made this data available, in writing, to all risk workshop participants. Rather, we found that participants and external experts made decisions about identified risks, and calculation of related costs based primarily on the results of verbal discussions. Not making information available in writing or maintaining key empirical data makes it difficult to substantiate or scrutinize decisions, particularly those that require a high level of expertise and professional judgement.

Not consistently providing workshop participants with empirical, historical information, in writing, decreases the ability of participants to review, consider, and challenge the information presented and use it to inform their decisions. Also, collecting and assembling key information would provide SaskBuilds with a record of the basis of key decisions made in risk workshops.

4. **We recommend that SaskBuilds assemble and make available to all risk workshop participants key empirical data to facilitate better evaluation of infrastructure project risks, calculate related costs, and support decisions.**

Consistent with its guideline, for each project, SaskBuilds developed the public sector comparator (PSC) based on the government's experience on similar past projects using a conventional procurement model. Also for each project, it attributed significant cost savings of risk transfers to the private sector obtained by using a P3 approach. SaskBuilds valued the cost savings from using a P3 approach, as compared to using the PSC, from just under 10% to over 30% of the cost of each project. For all four projects combined, SaskBuilds estimated the cost of the risks that the public sector would retain, if it used conventional approaches, to be six times higher than if it used P3s.

For each project, we found the business cases allocated several benefits or efficiencies (e.g., timely delivery, innovation, and effective maintenance) only or in increased amount to a P3 procurement approach (that is, the P3 approach was assessed as having lower risks in these areas). For example, in one project, the business case indicated that the use of a P3 procurement approach would deliver a more efficient design, and use less floor space. These benefits or efficiencies contributed to SaskBuilds estimating lower costs for the P3 approach.

In our review of the business case development process, we noted benefits attributed to P3s that could be used in conventional procurement processes (e.g., more efficient building designs, facilities maintained at required levels). We also noted certain risks were attributed more to conventional public sector procurements (e.g., scope changes contributing to increased costs and delay). We are of the view that conventional procurement processes could likely benefit from the time and effort that SaskBuilds and the responsible ministries and other related agencies spent on planning for and assessing the four potential P3 projects.

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[29] Guideline, p. 26.

Furthermore, we noticed the business case development process for these four projects noted the same or similar problems with the conventional public sector procurement approach. These problems may contribute to currently creating a more favorable environment for the use of a P3 approach.

The Government can use and, in a few cases, is already using in more conventional procurements, some of the benefits or efficiencies attributed only to P3s (e.g., use of performance-based contract for the Sweet Dreams housing project).[30] However, more work remains. In our view, the Government needs to make a concerted effort to identify and address barriers to gaining efficiencies under the conventional approach for procurement projects (e.g., addressing the number of change orders, which increases project costs).

In June 2014, the Government created Priority Saskatchewan as a branch of SaskBuilds. One of the goals of Priority Saskatchewan is to identify opportunities to improve government procurement. This, along with SaskBuilds' responsibility to "undertake, coordinate ...infrastructure development projects,"[31] makes it well positioned to explore problems and efficiencies it has identified during its analysis of P3 procurements, and consider how to best apply them to future conventional approaches.

5. **We recommend SaskBuilds leverage its analysis of value-for-money for infrastructure projects to evaluate and include feasible benefits and efficiencies in future public sector conventional procurement approaches.**

SaskBuilds indicated that it plans, in the future, to work with responsible ministries to build the perceived benefits and efficiencies of P3s into conventional procurements.

4.3.3 Sensitivity Analysis of Key Assumptions

In the preparation of the business case, we expected SaskBuilds to:

- *Establish reasonableness of assumptions*
- *Analyze the sensitivities of each key assumption*
- *Analyze costs and benefits over entire lifecycle of project*
- *Compare alternatives*
- *Determine recommended approach*

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[30] www.saskatchewan.ca/government/news-and-media/2014/may/12/social-impact-bond (22 January 2015).
[31] Order in Council 550/2012 dated 17 October 2012.

We expected certain assumptions (e.g., the discount rate and inflation rate) to be consistent among projects with similar timeframes. We also expected the business case to clearly document the results of each of these steps.

The calculation of value for money is complex requiring the use of many assumptions, risk assessments, and estimations of cost. Key assumptions included the inflation rate, construction escalation rate, discount rate, timing of cash inflows and outflows, financing costs, and private-sector financing estimates.

SaskBuilds hired various types of external advisors to help it make assumptions and cost calculations, and to develop financial models to support the business cases. SaskBuilds and/or the responsible ministry hired professional cost-estimates advisors (known as quantity surveyors) to prepare estimates including construction, operation, and maintenance cost estimates (or lifecycle costs). The external advisors incorporated lifecycle costs into the financial models and analyzed them for completeness and accuracy.

We found, for each project, that SaskBuilds reviewed and assessed the information and assumptions used for reasonableness. For example, for financial models, SaskBuilds corroborated estimated inflation rates with Bank of Canada information, and project financing assumptions (e.g., financing costs, and private sector financing estimates) through market analysis with a group representing potential bidders. As we expected, certain key assumptions (i.e., the discount rate and inflation rate) were consistent among the projects.

As noted earlier, all procurement approaches involve uncertainty because of the need to make assumptions about future events. Decisions often take place in an environment where precise data and information is not available. Uncertainty increases when the life cycle of the project increases. Because infrastructure projects typically provide services over long terms (often up to 30-40 years), the extent of uncertainty in these projects can be significant. Some of this uncertainty is reduced, before the Government enters into a P3 contract, through the request for competitive bids from potential partners (see **Figure 6**). Those bids will inform SaskBuilds as to whether its estimated costs for the P3 procurement approach were reasonably accurate.[32] We noted that for the Swift Current Long-Term Care Centre, the successful bid confirmed that SaskBuilds' estimated costs were reasonably accurate.

Sensitivity analysis is a method to calculate uncertainty.[33] The Guideline states that SaskBuilds should use sensitivity analysis to identify changes in assumptions that are significant enough to potentially change recommendations.[34]

A small percentage change in certain assumptions can have a big impact on a project. For example in one project, a one-percentage point decrease in the discount rate[35] would result in a loss of almost 60% of the projected savings of using a P3 procurement approach. Unreasonableness in one or more assumptions could result in an inaccurate estimate of costs and in turn, value-for-money estimate.

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[32] For the Swift Current Long-Term Care Centre, SaskBuilds estimated the cost using a P3 approach to be $113 million. The amount bid by the eventually successful P3 partner was $108 million. SaskBuilds was then able to update its calculations based on the new, actual cost information and calculate value for money based on the more certain cost information before signing the contract.

[33] The purpose of a sensitivity analysis is to show the effects of changing assumptions on a calculation such as the value-for-money calculation.

[34] Guideline, p. 28.

[35] The discount rate is a value used to determine how much a certain amount of money, at a certain point in the future, is worth now.

We found that SaskBuilds carried out sensitivity analysis for key assumptions in preparing the business cases for each project. Based on its assumptions, SaskBuilds reviewed and assessed costs, including the timing and amount of cash flows (cash flow models), for the different procurement options for each project.[36] Each of the business cases compared alternatives upon which SaskBuilds based its recommendation for which procurement method to use.

4.4 Business Cases Verified Prior to Recommending Approach

We expected SaskBuilds to verify business cases before reaching decisions on appropriate methods for projects and making recommendations. It would do this through review, challenge, confirmation, and approval. SaskBuilds would assess the accuracy and completeness of the information in the business cases, including information and analysis its external advisors prepared for each project.

Also, we expected SaskBuilds to take steps to meet the reporting requirements as reflected in its Guideline. The Guideline documents the expectation for reporting the evaluation and recommendations to Cabinet. The Guideline also requires public reporting after the close of the procurement process (this is because of the confidential nature of the business case during the procurement process).

We found that SaskBuilds analyzed the information input into the financial models, and asked for clarifications. SaskBuilds verified how information gathered from responsible ministries and related agencies, the preliminary research into the views of market potential bidders, and results from risk management workshops were used in the business cases.

We also found SaskBuilds' management gave its Board (comprised of four members of Cabinet and two government members of the Legislative Assembly):

- Monthly updates that included the current status of each project underway (e.g., project schedules and budgets).
- The results of each business case along with its recommended procurement approach to the Board consistent with the overarching policy set out in the Guidelines. The results included a summary of the value-for-money analysis, the estimated costs of the project including information on the range of subjectivity of the estimated costs, and the calculated value-for-money savings in using the P3 procurement approach.

The Board approved SaskBuilds' recommendations to proceed to Treasury Board and Cabinet for the four projects. Cabinet received similar information as the Board on each project.

At the time of our audit, SaskBuilds had reached an agreement with a private sector provider for one of the four projects: the Swift Current Long-Term Care Centre. As noted in **Section 4.1.1**, at January 30, 2015, SaskBuilds had not released a public value-for-money report.

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[36] SaskBuilds determined and documented in the business cases the net present value for conventional and P3 procurement options. To calculate the net present value amount, SaskBuilds discounted the cash flows to current dollars using the assumed discount rate in a net present value analysis (i.e., to arrive at the cost in today's dollars).

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6.0 EXHIBIT

Exhibit 6.1—P3 Qualitative Considerations in proceeding to a Business Case Analysis

Qualitative Considerations	Criteria
Technical	Can definable and measurable technical output/service/performance specifications for the project be developed?
	Are the long term operation or service needs and performance requirements relatively stable and/or predictable?
	Can mechanisms be established to monitor private sector performance?
	Can technical constraints be effectively addressed by the private sector?
	Is there the potential to transfer technical risks from the public sector to the private sector?
	Are there opportunities for private sector innovation in design, construction, operation and maintenance?
	Are there opportunities to enhance service performance through use of a P3?
	Are there opportunities to advance timing of delivery of needed infrastructure through use of a P3?
	Does the private sector have superior skills and experience that can be expected to reduce costs or increase benefits?
	Are there opportunities for the private sector to implement life-cycle management practices in the design, construction, operation and maintenance of the project?

Qualitative Considerations	Criteria
Duration and Technological Change	Is the capital asset of an enduring, long-lived nature and is the service life of the asset at least 20 years?
Operation and Maintenance	Can the private sector undertake the operation and maintenance? (Are there jurisdictional or liability related issues that require the public sector to undertake the operation and/or maintenance?)
Legal	Is the proposed P3 approach for the provision of the service free of any potential conflict with legislation or regulations (that cannot be changed in the short term?)
	Is there legislative authority to undertake the project?
Financial	Can it be expected that the higher financing costs associated with private sector financing will be offset by the P3 benefits (e.g. efficiencies, economies of scale, innovation, etc.) and by the value of the risks being transferred from the public sector?
	Is it possible to establish equitable and effective payment mechanisms that include appropriate incentives and controls based on clear outcomes?
	Can financial issues or risks be managed by the private sector?
	Does the project have revenue sources? (e.g., user fees, ancillary fees)
	If the project has revenue sources, is there the opportunity to transfer the revenue risk to the private sector?
Acceptability	Is the public willing to accept the proposed role of the private sector in the project?
	Are other stakeholders (e.g., elected officials, current users) willing to accept the proposed role of the private sector in the project?
	Will the private sector accept the public's need for disclosure, openness and fairness?
Procurement	Have projects of a similar nature been successfully procured using a P3 approach?
	Are there sufficient expertise, capacity and interest in the private sector to conduct a competitive procurement?
	Can a fair, accountable and transparent selection process be used?
	If relevant, can a successful plan of transition to the private sector be developed?
	Will the public sector entity have adequate resources to effectively procure, deliver and monitor the project?
	Is it demonstrable that the P3 process is likely to offer greater value for money to the Government of Saskatchewan compared to the conventional form of procurement?
Project Risk	Are there risks associated with conventional procurement that might be better managed by a private partner?
Land	Is the land for the project being provided by the public sector entity?
Project Stage	Is the project new build/greenfield? Renovations are, in general, less suitable for P3; however, every case is different.
Integration	Is the project relatively independent of other project, infrastructure, or control systems?
Human Resources	Does the project, if delivered by a private partner, affect any current public sector staff positions?
Timing	Are the timelines adequate to develop specifications and contract documents and to undertake a P3 procurement?
	Can the issues raised in the items above be addressed in the project timelines?

Source: SaskBuilds, *Project Assessment and Procurement Guideline*, p. 14-16.

Chapter 17
SaskPower—Buying Power from Independent Power Producers

1.0 MAIN POINTS

The Saskatchewan Power Corporation (SaskPower) is responsible for supplying power to customers in Saskatchewan. To fulfill this responsibility, SaskPower uses a mix of self-generated and purchased power. Currently, it purchases about 20% of its power supply from independent power producers (IPPs). SaskPower procures power from IPPs through competitive and unsolicited processes.

SaskPower needs to have effective processes to buy power from IPPs. If it does not, it may choose a supplier who is not capable of providing power when needed. It may also pay too much for power, or its selection process may not be seen as fair and equitable, thus decreasing interest from potential IPPs.

SaskPower had effective processes to procure power from IPPs except for the following areas. It needs to update its procurement policies to reflect current practices, and strengthen its procurement policies to require a more thorough consideration, evaluation and documentation of risks to inform decision making. Also, it needs to use consistent processes to evaluate unsolicited IPP proposals.

2.0 INTRODUCTION

SaskPower is responsible for the generation, transmission, distribution, purchase, sale, and supply of electrical energy (power) in Saskatchewan. As part of its responsibilities, SaskPower operates $8.6 billion worth of generation, transmission, and distribution infrastructure to provide power to over 500,000 residential, commercial, and industrial customers throughout the province.

SaskPower's vision is to be a world-leading power company through innovation, performance and service.[1] Its mission is to provide reliable, affordable, sustainable power.[2] Saskatchewan's power system "is designed to meet customer demand in real time, as the supply of electricity and the accompanying demand must be constantly and precisely balanced. Since electricity cannot be stored economically on a large scale, changes in demand must be met by corresponding changes in supply."[3]

2.1 Meeting Growing Power Needs

As the province grows, power needs increase. For example, in 2013 SaskPower generated 23,155 GWh[4] of power, an increase of 1,026 GWh or 5% as compared to

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[1] www.saskpower.com/about-us/our-company-and-strategic-direction/ (31 March 2015).
[2] Ibid.
[3] Saskatchewan Power Corporation, *Customer Guide to the SaskPower System*, p. 6.
[4] One gigawatt hour (GWh) is equivalent to the energy consumed by 125 typical houses in one year. GWh is a common unit to describe energy consumption.

2012. With the anticipated continued growth in Saskatchewan, SaskPower expects power needs to further increase.

One of SaskPower's areas of focus is electrical generation diversification. This means securing a balanced mix of power generation options (e.g., coal, natural gas, wind) to provide a sufficient supply of power for the province's future growth.[5] Its related goal for generation diversification is using more renewable generation technologies such as wind.[6] Also, it has strategic goals to pursue private sector engagement, which include:

- Pursuing a greater role for the private sector by leveraging skills, expertise, and resources to accommodate growth, and improve service delivery
- Forming partnerships and joint ventures using private sector expertise and investment capital, and limiting direct investment from the Government in the economy[7]

2.2 Independent Power Producers—An Alternate Source of Power

SaskPower refers to individuals or corporations who produce power that it can buy as independent power producers (IPPs). Buying power from IPPs is one way SaskPower fulfills its short- and medium-term power needs, secures a mix of power generation options (e.g., renewable generation technologies), and increases the role of the private sector in power generation.

In 2014, 11 IPPs,[8] with a combined available generating capacity of 851 Megawatts (MW),[9] supplied SaskPower with power at a total cost of $362 million. In this chapter, we refer to IPPs that are generating power as "operating IPPs". As shown in **Figure 1**, four of these operating IPPs generated power through gas-fired facilities, two through wind facilities, four through heat-recovery facilities,[10] and one through a biomass generation facility.[11]

Figure 1—Saskatchewan Independent Power Producers who Generated Power (Operating IPPs) in 2014[a]

Operating IPPs in 2014	Procurement Method	Type	Near Location	Available Generating Capacity MW
North Battleford Generating Station	Competitive	Gas-fired	North Battleford	260
Cory Cogeneration Station	Competitive	Gas-fired	Saskatoon	228
Meridian Cogeneration Station	Competitive	Gas-fired	Lloydminster	210

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[5] Adapted from corporate information provided at www.saskpower.com/aboutus/our-company-and-strategic-direction/ (16 December 2014).

[6] Saskatchewan Power Corporation, *2012 Annual Report*.

[7] Adapted from Saskatchewan Power Corporation, *2015 Strategic Plan*, p. 18.

[8] These are independent power producers who have an available generating capacity of five of more MW.

[9] Megawatt (MW) is a unit of bulk power used to describe the output of a commercial generator. MW is a common unit to describe generation capacity, or the rate at which power can be generated.

[10] Heat recovery facilities convert heat emitted from other processes (such as compressor station turbines) into electricity.

[11] Biomass generation refers to the burning of plants, or plant-based materials to produce power.

Operating IPPs in 2014	Procurement Method	Type	Near Location	Available Generating Capacity MW
Spy Hill Generating Station	Competitive	Gas-fired	Esterhazy	86
SunBridge Wind Power Facility	Competitive	Wind	Gull Lake	11
Red Lily Wind Energy Facility	Program	Wind	Moosomin	26
NRGreen Kerrobert Heat Recovery Facility	Program	Heat Recovery	Kerrobert	5
NRGreen Loreburn Heat Recovery Facility	Program	Heat Recovery	Loreburn	5
NRGreen Estlin Heat Recovery Facility	Program	Heat Recovery	Estlin	5
NRGreen Alameda Heat Recovery Facility	Program	Heat Recovery	Alameda	5
Prince Albert Pulp Inc.	Unsolicited Proposal	Biomass	Prince Albert	10
Combined Available Generating Capacity				**851**

Source: SaskPower Contract Management.
[a] This table includes operating IPPs with an available generating capacity of five or more MW.

As shown in **Figure 2**, the number of operating IPPs providing five or more MW of power has grown slowly from seven IPPs with combined available generation capacity of 470 MW in 2008 to 11 IPPs with combined available generation capacity of 851 MW in 2014. By 2014, the power bought from IPPs was about 20% of SaskPower's total generation capacity (see **Figure 2**). SaskPower has contracted to buy a further 307 MW from IPPs who were still developing their generating capacity at February 2015. In 2015, SaskPower plans to enter into additional agreements with IPPs.[12]

Figure 2—Number and Available Generating Capacity of Operating IPPs from 2008 to 2014

Year	Number of Operating IPPs	Available Generation Capacity (MW)[b]	Percentage of Total Generation Capacity (MW) [a]	Total Spent on Power from IPPs (in thousands)
2008	7	470	13%	$167,177
2009	7	470	12%	$131,193
2010	7	470	12%	$119,647
2011	9	582	14%	$136,152
2012	10	593	14%	$148,515
2013	11	851	20%	$257,812
2014	11	851	20%	$362,221

Source: SaskPower Contract Management and adapted from information obtained from SaskPower.
[a] Calculated based on Available Generating Capacity of IPPs divided by Total Available Generating Capacity (MW).
[b] This table includes operating IPPs with an available generating capacity of five or more MW.

As noted in **Figure 1**, SaskPower has used various methods to procure power from IPPs. Its agreements with IPPs are initiated in the following ways:

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[12] Saskatchewan Power Corporation, *2011 Annual Report*, p. 20; Saskatchewan Power Corporation, *2014 Annual Report*, p. 34.

- **Requests for proposals** (a competitive procurement process). As reflected in **Figure 1**, in 2014, SaskPower contracted for 795 MW (94% of total IPP-sourced power) of power from five operating IPPs. Each of these IPPs was the successful bidder to a request for proposal to buy power. Also, in 2012, through a competitive procurement process to buy wind power, SaskPower contracted for an additional 177 MW of power from the Chaplin Wind Energy Project; SaskPower expects this project to begin producing power in late 2017.

- **Standing offer and self-generation programs**. These are programs designed to buy small amounts of power generated using renewable resource technologies (e.g., Flare Gas Power Generation Program, Green Options Partners Program, Net Metering Program, and Small Power Producers Program). In 2014, SaskPower contracted for 50 MW (5% of total IPP-sourced power) of power through these programs. 46 MW of this power is generated through the five IPPs listed in **Figure 1** with various IPPs generating another 4 MW of power.

- **Unsolicited proposals**. These are unsolicited proposals provided to SaskPower from potential IPPs interested in selling power to SaskPower. As reflected in **Figure 1**, SaskPower received 10 MW of power from one operating IPP. In addition, in 2012, SaskPower contracted for an additional 106 MW of power from biomass generation projects with two IPPs. One of these IPPs ceased operations in 2014. SaskPower is uncertain when the other IPP expects to begin producing power because contract details, such as financing, were not finalized at February 2015. In 2014, SaskPower received 22 unsolicited proposals to sell power to SaskPower.

SaskPower has made its Sustainable Supply Development Branch (Supply Branch) responsible for identifying and pursuing opportunities to procure power through IPPs.

2.3 Agreements with Independent Power Producers

SaskPower enters into agreements with IPPs that are typically for at least a 20-year period. At December 31, 2014, SaskPower had agreements to buy power from operating IPPs worth $3.4 billion over the next 20 years.[13] It is also committed to buy power worth a further $2.6 billion over the next 20 years from IPPs who, at February 2015, were not producing power (e.g., have not built the agreed-upon facility or were not capable of supplying power).[14]

Similar to public-private partnership (P3) arrangements, agreements between SaskPower and IPPs to buy power can vary. See **Figure 3** for variations in extent of the IPP (private sector) participation in the project. In most cases (e.g., Red Lily Wind Energy Facility), SaskPower agrees to buy all of the power produced from a facility owned and operated by an IPP over the long-term (lease); in others (e.g., Cory Cogeneration Station), SaskPower jointly owns the facility (project consortium) and shares in management and operation of the power-generating facility (joint venture). With joint arrangements, the project consortium has a lease with SaskPower.

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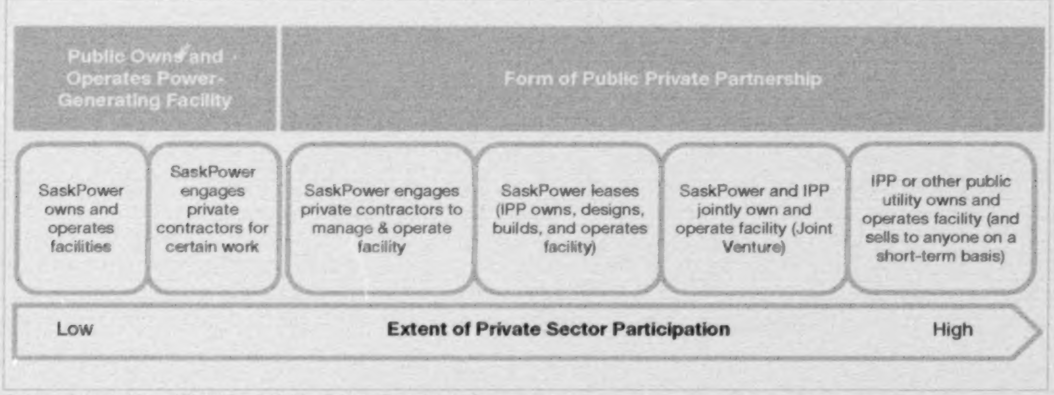
[13] Saskatchewan Power Corporation, *2014 Annual Report*, p. 108.
[14] Ibid., p. 116.

Figure 3—Types of Public-Private Partnership Arrangements


Public Owns and Operates Power-Generating Facility
Form of Public Private Partnership
SaskPower owns and operates facilities
SaskPower engages private contractors for certain work
SaskPower engages private contractors to manage & operate facility
SaskPower leases (IPP owns, designs, builds, and operates facility)
SaskPower and IPP jointly own and operate facility (Joint Venture)
IPP or other public utility owns and operates facility (and sells to anyone on a short-term basis)
Low
Extent of Private Sector Participation
High

Source: Adapted from World Bank Public-Private Partnership Agreements.

The long-term nature of SaskPower's arrangements with IPPs and its intent to use IPPs as a way to fulfill its short- and medium-term power needs and diversify its power-generating options increases the importance of SaskPower having effective processes to buy power from IPPs. If SaskPower does not have effective processes to buy power from IPPs, it may choose an IPP that may not be capable of supplying power in the short- or medium-timeframe needed. This may place SaskPower at risk of not meeting the power needs of its customers or having to seek alternate sources at a potentially higher cost. Also, ineffective procurement processes may increase the risk of paying too much for this power which in turn would increase the cost of power to its customers. Also, ineffective processes could increase the risk of actual or perceived favouritism when selecting IPPs resulting in complaints from potential IPPs and decreased interest of potential IPPs.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SaskPower had effective processes to procure power from independent power producers that were in place at February 28, 2015. We did not examine power bought through SaskPower's standing offer and self-generation programs.

We examined SaskPower's corporate-wide procurement policy and procedures documents, and its purchasing practices and procedures specific to buying power from IPPs including its processes to monitor IPPs' performance. In addition, by focusing on the last two agreements SaskPower signed with IPPs, we assessed whether its processes operated as expected.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SaskPower's processes, we used criteria based on the work of our Office. SaskPower's management agreed with the criteria (see **Figure 4**).

Figure 4—Audit Criteria

1. **Set policies for independent power procurement**
    1.1 Develop policies for independent power procurement
    1.2 Align policies with externally-imposed requirements (e.g., regulator, public policy)
    1.3 Update policies periodically
    1.4 Monitor and report on compliance with policies
    1.5 Approve supply plans for independent power procurement (e.g., competitive bid, single source)
    1.6 Communicate plans for procurement of power
2. **Define the specifications for required power**
    2.1 Define the need in sufficient detail for both the independent power producer's and SaskPower's understanding
    2.2 Define specifications to encourage open and effective competition within government and organizational policies
    2.3 Set criteria for evaluation of proposals
3. **Obtain quotations fairly for competitive bids**
    3.1 Obtain appropriate authorization to initiate purchase
    3.2 Communicate procurement process to potential vendors
4. **Select suppliers for power**
    4.1 Conduct due diligence to evaluate potential suppliers to meet established specifications
    4.2 Determine risks to project completion
    4.3 Document decision for vendor selection
    4.4 Obtain appropriate approvals to enter into power purchase agreements
    4.5 Inform bidders of tender decision
    4.6 Obtain appropriate written contractual agreements (e.g., adequate provisions and dispute resolution, legal sign-off)
5. **Monitor fulfillment of power contracts**
    5.1 Assess performance of independent power producer against agreement
    5.2 Take timely corrective action if necessary
    5.3 Report on steps taken

We found that SaskPower had, at February 28, 2015, other than for the following areas, effective processes to procure power from independent power producers.

SaskPower needs to:

- **Strengthen its procurement policies by requiring a more thorough consideration, documentation and evaluation of risks each time it decides to buy power from independent power producers.**
- **Update its procurement policies to reflect the practices it currently uses when buying power using a competitive procurement process – that is, require the use of Fairness Monitors, and written evaluations on the abilities (experience and financial resources) of potential independent power producers, and of the technical merit of proposals to buy power from independent power producers.**
- **Use consistent processes to evaluate unsolicited proposals provided to SaskPower from potential IPPs interested in selling power.**
- **Communicate to potential independent power producers, who submit unsolicited proposals to supply power, the evaluation process and criteria against which unsolicited power proposals are considered.**
- **Document its rationale for key requirements set in Request for Proposals and related due diligence requirements as part of the competitive independent power producer procurement process.**

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (*expectations*) and our key findings along with related recommendations.

4.1 Policies for Independent Power Procurement Needed

4.1.1 Policies and Procedures Needed to Address Risk Assessment, Monitoring Compliance, and Proposal Evaluations

We expected that:

- *SaskPower would develop, and its Board would approve, policies for buying power from independent power producers that align with and augment its general procurement policies (e.g., corporate-wide policies). These policies would align with externally-imposed requirements (e.g., the New West Partnership)*[15,16] *and define processes and responsibilities unique to buying power from independent power producers (e.g., risks resulting from long-term agreements, handling unsolicited procurements). SaskPower's policies would require documented risk assessments.*
- *SaskPower's policies would assign responsibility for monitoring and reporting on compliance with them.*
- *SaskPower would periodically update these policies.*

SaskPower has a current Governance Manual, Procurement Policy, and a Signing Authority Policy that apply to buying power from IPPs. SaskPower's Board of Directors approved each of these documents in recent years. SaskPower also has a Procurement Procedures document that was approved by its Executive in 2013.

The Governance Manual sets out the required recommendations and approvals for buying power from IPPs. Prior to proceeding with any power generation project (including projects with IPPs), the Manual requires management to obtain the approval of SaskPower's Board of Directors (Board), the Board to obtain the approval of the Board of Directors of Crown Investments Corporation of Saskatchewan[17] (CIC Board), and the CIC Board to obtain the approval of Cabinet.

In 2014, the approval process began to change as CIC advised SaskPower that it no longer needed to obtain CIC Board or Cabinet approval for power-generation projects with available generating capacity less than 40 MW. At December 2014, SaskPower had not yet updated its Governance Manual.

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[15] The New West Partnership Trade Agreement (NWP) is an accord between the governments of British Columbia, Alberta, and Saskatchewan that creates Canada's largest barrier-free, interprovincial market.

[16] Saskatchewan's Crown Corporations, including SaskPower, became subject to the NWP July 1, 2012.

[17] Under *The Crown Corporations Act, 1993*, CIC is SaskPower's parent or holding company.

The Procurement Policy provides broad guidance for procurement at SaskPower. The Procurement Procedures include more specific processes designed to establish a fair procurement process. We refer to these documents collectively as procurement policies. The procurement policies list certain roles and responsibilities related to buying any goods and services. The procurement policies include specific rules over key procurement requirements, such as advertising the procurement, prohibited communications, conflict-of-interest management, opening requests for qualification (RFQ) and handling requests for proposal (RFP) submissions. They detail different procurement evaluation methods. Also, the procurement policies outline required review and approval of the purchasing methods chosen (e.g., RFP, single source).

As well, the procurement policies place additional requirements to control the use of single-source buying methods so that SaskPower makes purchases in a fair and open way. For example, the procurement policies set out criteria as to when staff may use a single source.

Also, the procurement policies require the use of an Evaluation Committee for purchases greater than $10 million, or covering a span greater than five years. As previously noted, typically agreements with IPPs are for at least 20 years. The procurement policies outline the responsibilities of this Committee (see **Figure 5**).

Figure 5—Evaluation Committee Responsibilities

An Evaluation Committee is responsible for:

- Maintaining, promoting and documenting integrity in the purchasing process
- Evaluating tenders, proposals, or quotations in keeping with the established mandatory requirements, evaluation criteria and methodology
- Documenting the evaluation process
- Preparing any evaluation report or other required documentation
- Approving the result of the evaluation
- Seeking approval to proceed with a contract with the successful vendor
- In conjunction with purchasing, debriefing unsuccessful vendor(s)

Source: Adapted from SaskPower's Procurement Procedures.

Procurement, by nature, poses risks. Procurement of services to be provided over long periods such as SaskPower's arrangements with IPPs can pose risks over and above day-to-day purchases of goods and services (e.g., long-term capacity of supplier to deliver service; soliciting sufficient interest from potential suppliers to obtain a fair price).

Similar to a recommendation of PriceWaterhouseCoopers LLP in the *CIC SaskPower Smart Meter Procurement and Contract Management Review* (see **Figure 6**), we found the procurement policies did not specifically require SaskPower to assess and document risks associated with procurement.

Figure 6—Related Recommendation from SaskPower Smart Meter Procurement and Contract Management Review

Recommendation 1

The risk assessment process should be strengthened in the Purchasing Policy & Procedures to clearly require a more thorough consideration, documentation and evaluation of risks as potential risk indicators are identified during the development of a procurement strategy, as part of project planning, and monitored for new or changing risks during the period of the contract.

Source: *PWC Report – Crown Investments Corporation Smart Meter Review* (27 October 2014).

In the case of procuring of power from IPPs, such a risk assessment would outline key financial (e.g., ability of IPPs to finance the construction and operation of a power-generating facility), technical (e.g., reliability of technology chosen to produce power), and operational risks (e.g., reliability of the fuel supply to produce power) that SaskPower faces. A risk assessment would also outline how SaskPower plans to mitigate those risks, or transfer those risks to the IPP. As previously noted, SaskPower can use its agreements with IPPs to assign risks to the intended party and set processes to ensure it has sufficient and timely information to monitor risks over the term of the arrangement – typically 20 years.

A risk assessment would also help SaskPower develop a documented rationale on RFP requirements. For example, the risk assessment should help identify minimum financial, technical, and operational requirements for IPPs to meet. As well, the documented rationale on RFP requirements should indicate the extent of information requested by SaskPower in order to verify IPPs' RFP submissions.

Without explicitly assessing risk, SaskPower may retain an inappropriate amount of risk in its arrangements with IPPs, which may expose it to increased costs, or litigation. Documenting the results of its explicit identification and assessment of risks associated with buying power from IPPs would enable SaskPower to show that it gives them appropriate consideration prior to and when entering into arrangements with IPPs.

At February 2015, SaskPower had committed to implementing the recommendations set out in the *CIC Summary Report on Smart Meters*. At February 2015, it was revisiting its policies related to procurement, including risk management. As well, the Supply Branch noted it is also developing a risk assessment for its next competitive IPP procurement. The draft procurement policies discuss implications of the New West Partnership (NWP) to reflect externally-imposed requirements.

SaskPower's Signing Authority Policy clearly outlines required review and approval of agreements with IPPs.

SaskPower expects all supervisors and management to comply with policies and as part of their supervisory role, monitor the compliance of their subordinates with policies. In addition, SaskPower has an internal audit function whose responsibilities include assessing and reporting to the Audit Finance Committee (a subcommittee of SaskPower's Board) on SaskPower's compliance with policies – this includes procurement policies.

Other than the Governance Manual, SaskPower did not have policies specific to buying power from IPPs. While SaskPower has recognized that buying power from IPPs differs from general purchases of supplies and services, it focused on developing procedures to use when making decisions about buying power from IPPs. Although not required by policy, the Supply Branch indicated that it expected its staff to use these processes in addition to the requirements set out in SaskPower's policies.

Since 2010, the Supply Branch has developed and used process management frameworks, as set out in **Figure 7**, to guide its procurement process when it decided to buy power generated from a particular generation option (e.g., wind) from IPPs. In this chapter, we refer to this process as SaskPower's Competitive IPP Procurement process.

Figure 7—SaskPower's Competitive IPP Procurement Process

Stage One: Request for Qualifications (RFQ) Process Management Framework. This stage is intended to assess the experience and financial capabilities of IPPs to develop, own, and operate power generation facilities. This stage expects SaskPower to:

- Set, in an RFQ, established criteria. Criteria are to include both financial and technical requirements (e.g., type of power generation, related generation standards and desired amount of power supply, and minimum financial requirements).
- Set deadlines and the manner in which potential suppliers must respond (RFQ submissions).
- Establish an Evaluation Committee composed of individuals representing SaskPower's supply and business development and risk branches, representative(s) from CIC, and an external expert.
- Use the Evaluation Committee to evaluate the ability of the potential independent power producers (IPPs) responding to RFQ to meet the established criteria as set out in the RFQ.
- Use a Fairness Advisor to review SaskPower's management of the procurement process and attest to its fairness.

Stage Two: Request for Proposal (RFP) Process Management Framework. This stage expects SaskPower to:

- Set, in an RFP, established criteria consistent with the RFQ. Criteria are to include both financial and technical requirements (e.g., type of power generation, related generation standards and desired amount of power supply, and minimum financial requirements).
- Only invite potential IPPs, who have passed the RFQ evaluation process, to submit a Request For Proposal.
- Establish Committees composed of staff and external experts, as needed, with appropriate expertise to evaluate two components:
  - The potential IPP's ability to meet the set criteria (e.g., technical standards, financial requirements).
  - The price proposed by the potential IPP.
- Use the Committees to evaluate the responses to the RFPs.
- Make final selection based on the results of the evaluation.

Source: Information from SaskPower.

We found that SaskPower's Competitive IPP Procurement process not only aligned with the requirements of its procurement policies, but also included a number of additional requirements designed to make this process fair and equitable. Additional requirements included:

- The use of a Fairness Advisor to assess if SaskPower followed its tendering policies. The electrical industry commonly refers to Fairness Advisors who do this type of assessment as Fairness Monitors, and uses them to monitor complex procurements, such as buying power from IPPs.

- An evaluation of each IPP's ability (experience and financial resources) to successfully develop, own, operate, and maintain the project.

- An evaluation of the technical merit of proposals.

However, as noted earlier, SaskPower has not incorporated these additional requirements into its procurement policies. Policies help ensure staff have a clear understanding of what is expected and why. Not having procurement policies that include all key expectations increases the risk that SaskPower will not consistently use a fair and equitable procurement process when entering into agreements with IPPs.

1. **We recommend that SaskPower update its procurement policies to specifically require when buying power from independent power producers:**
   - **The use of Fairness Monitors**
   - **Written evaluations of independent power producers abilities (experience and financial resources)**
   - **Written evaluations of the technical merit of independent power producers' proposals**

SaskPower noted that it has used unsolicited proposals as a way to discover and single-source unique and time-sensitive power generation opportunities. SaskPower further noted that most unsolicited proposals it receives are not economically feasible, or would be best procured through a competitive process, or through SaskPower's standing offer and self-generation programs.

In 2014, the Supply Branch drafted a three-stage process, as set out in **Figure 8**, to guide procurement decisions when considering unsolicited proposals provided to SaskPower from potential IPPs interested in selling power to SaskPower. We refer to this process as SaskPower's Unsolicited IPP Procurement process.

Figure 8—SaskPower's Draft Unsolicited IPP Procurement Process

This is the draft three-stage process through which SaskPower evaluates unsolicited power proposals through the use of an Executive Steering Committee against the following criteria.

The proposals must:

- Not fit a current or planned SaskPower program (e.g., SaskPower's Standing Offer and Self-Generation Programs)
- Not be an electricity supply proposal that is currently or planned to be competitively bid
- Be a long-term (more than one year) opportunity
- Be a funding or research opportunity to develop a unique supply proposal for Saskatchewan

An Executive Steering Committee (Steering Committee) must recommend proposals to move forward through the first two stages. Steering Committee terms of reference outline the committee structure, composition, and authority to recommend an unsolicited power proposal to move to the next stage. The Steering Committee is to be typically comprised of several members of senior management.

Stage One: This stage expects SaskPower to:

- Ask interested suppliers making unsolicited proposals to complete an application form that describes the proposal
- Review and assess a completed application form against the above criteria

Stage Two: For proposals that pass the criteria, this stage entails a detailed evaluation of the cost and time to finish the facility, which includes an interconnection study (i.e., assessment of feasibility and cost of connecting the IPP to SaskPower's grid).

Stage Three: This stage is the negotiation of a power purchase agreement with the potential IPP.

Source: Information from SaskPower.

We found that although SaskPower's Unsolicited IPP Procurement process included requirements in addition to SaskPower's Procurement Policy, it did not fully align with the requirements of the procurement policies.

SaskPower's Unsolicited IPP Procurement process did not align with its procurement policies in the following areas:

- The draft terms of reference for the Steering Committee did not require committee members to make conflict-of-interest disclosures or set out the minimum number of individuals to be involved at each evaluation stage as expected in the procurement policies.

- The Unsolicited IPP Procurement process did not include requirements similar to those set in policy for single-source purchases (e.g., the requirement to document why an unsolicited IPP meets the criteria to allow for a single-source). Because unsolicited proposals are not the result of a competitive process, buying power initiated by unsolicited proposals presents similar risks as buying goods or services from a single-source (e.g., risk of not paying the best price, or giving preferential treatment to certain suppliers).

Additional requirements in the Unsolicited IPP Procurement process included:

- Criteria to evaluate the fit and potential of the unsolicited proposal with the needs of SaskPower. This criteria is key because, unlike its Competitive IPP Procurement Process where SaskPower identifies the specific needs to buy a power from an IPP and has plans to make this purchase, it has not done so for an unsolicited proposal. While SaskPower has set criteria to evaluate fit, these criteria were not formally approved and remained draft at February 2015. We found that SaskPower determined that 4 of the 22 unsolicited proposals that it received in 2014 met its "fit" criteria (stage one).

- Use of a Steering Committee to conduct due diligence by assessing the proposal against Committee-reviewed evaluation criteria guidelines for similar technologies in stage two.

However, as of February 2015, we found the Steering Committee had not set criteria guidelines (such as minimum technology standards and financial viability) for any particular technology.

While the starting point for unsolicited proposals differs from proposals SaskPower initiates in its Competitive IPP Process, we expected that SaskPower would use equally rigorous processes for both types of proposals. That is, we expected its processes to include evaluations of the financial viability of the IPP, and of the technical merit of the unsolicited proposal.

Not having consistent evaluation processes, SaskPower risks accepting proposals from unsuitable IPPs who may not have the capacity to supply power as agreed upon, and being viewed as not treating potential IPPs equitably and fairly. Also, use of inconsistent evaluation processes may result in SaskPower paying too much for power, retaining too much risk, or not being able to depend on the IPP as a reliable power source.

Furthermore, as noted previously, the Unsolicited IPP Procurement process remained a draft at February 2015. In common with its Competitive IPP Procurement process, SaskPower has not made the Unsolicited IPP Procurement process a formal requirement – that is, a policy. Not having an approved process that aligns with SaskPower's procurement policies and outlines all expectations for addressing unsolicited proposals increases the risk that SaskPower will not consistently use a fair and equitable procurement process, or may choose an IPP that is not able to deliver the required power.

2. We recommend that SaskPower use consistent processes to evaluate unsolicited proposals provided to SaskPower from potential independent power producers interested in selling it power.

4.1.2 Identifying the Need to Buy Power from IPPs – Power Supply Plans Approved

We expected SaskPower to develop and approve short- to long-term plans for buying power. We expected these plans would include and demonstrate the use of independent power producers. SaskPower would also evaluate general risks of the use of IPPs in its supply plans.

In 2014, SaskPower developed a 20-year supply plan that it intends to update every two years. It also annually develops a 10-year supply plan to determine how to meet its power needs. These plans include power from all of SaskPower's sources of supply (i.e., generated from its own plants, as well as power bought through SaskPower's standing offer and self-generation programs, from other provinces (e.g., Manitoba), and from IPPs). The Director of the Supply Branch approved these plans as required.

We found the supply plans included the results of SaskPower's assessment of risks related to the use of IPPs. For example, the *2014 10-Year Supply Plan* includes the risk of IPP projects not meeting their planned operation dates (i.e., the date power facilities are to begin generating and supplying SaskPower with power), and contingency plans to meet Saskatchewan's power demands should this occur.

SaskPower also develops specific plans, as required, when considering new sources of power supply. For example, before embarking on the wind power procurement in 2010, SaskPower's Board approved a Wind Power Deployment Strategy. The Strategy set out SaskPower's plans to develop wind power in the province, and considered the broad risks associated with wind power and the use of IPPs.

4.1.3 Plans for Buying Power from Independent Power Producers Communicated

We expected that SaskPower would communicate its plans to buy power to potential independent power producers in a fair and equitable way.

We found SaskPower, through its Competitive IPP Procurement Process, uses three main methods to communicate its plans to buy power from IPPs. SaskPower:

- Notified an internally-maintained list of IPPs that have previously expressed an interest in becoming an IPP in Saskatchewan
- Informed manufacturing and financial organizations relevant to the type of generation it was seeking (e.g., wind turbine manufacturers for wind power)
- Posted its procurement plans on its website

SaskPower also plans to post future requests for proposals (RFPs) on MERX, a tendering website that advertises public government contracts across Canada.

4.2 Documented Rationale for Key Proposal Requirements Needed

We expected that SaskPower would develop requirements (e.g., type of power generation option, amount of power needed, operation date) when buying power from independent power producers. Those requirements would be designed to solicit sufficient responses from interested potential IPPs. They would be based on its documented assessment of risks of the specific project. Such an assessment would show the communication with, and agreement between key branches within SaskPower (e.g., legal, finance), and outline the rationale for selecting specific requirements and evaluation criteria.

Also, we expected that SaskPower would set detailed criteria for how it evaluates both solicited (RFP) and unsolicited proposals to buy power from independent power producers so that proposals are evaluated consistently and fairly.

Consistent with its procurement policies, SaskPower's Competitive IPP Procurement Process includes setting detailed requirements for projects (i.e., in RFQ and RFP documents). When developing its requirements, SaskPower varies its criteria depending on the type of power generation and technology expected. Its Competitive IPP Procurement Process (see **Figure 7**) makes a RFQ and RFP Coordinator responsible for developing the RFQ and RFP documents.

For the wind power proposal we tested, we found:

- The requirements in the RFP reflected the requirements in the RFQ.

- The requirements in both the RFQ and RFP documents gave IPPs sufficient information (e.g., wind study and financial requirements) for them to understand the requirements, and were designed to encourage open competition as shown by 15 proposals received.

- Both the RFQ and the RFP contained detailed information regarding project description, instructions to bidders, and the evaluation process. They each described the type of generation, the capacity required, and the desired operation date.

- The RFP included very detailed requirements for potential IPPs to meet. For example, to help ensure the solvency of IPPs, SaskPower set a minimum net worth of IPPs for IPPs to be eligible to bid. To mitigate technological risks, SaskPower set specific turbine technology standards (e.g., submission of a wind study data for 12 months signed off by a wind resource expert).[18]

  While it was evident that SaskPower considered risks during its procurement process, similar to its lack of policy in this area (see **Section 4.1.1**), we found that

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[18] In its RFP, SaskPower required a turbine model being proposed to either have, or be in the process of obtaining, an A-Design Statement of Compliance to IEC 61400-1 standards from an accredited certification agency.

SaskPower did not document its risk assessment. Because of this, SaskPower was unable to show us how it developed the RFQ and RFP requirements based on its identification and assessment of risks. As noted in **Section 4.1.1**, the Supply Branch was developing a risk assessment for its next competitive IPP procurement.

- SaskPower did not require the bidders to submit evidence for some key requirements. For example, the IPPs were not required to submit information demonstrating their plan to obtain environmental permits[19] from the Ministry of Environment within a set period of time. We found that SaskPower did not document the rationale for its requirements over what information bidders must submit to enable it evaluate and validate the proposals submitted.

  The successful bidder in this project failed to obtain environmental permits by the date set out in the RFP and later, in its agreement with SaskPower. This resulted in the IPP experiencing delays (i.e., development of planned power-generating facility is later than expected); SaskPower does not expect this project to meet the planned operation date as outlined in its original agreement with the IPP. As a result, SaskPower plans to use its mitigation strategy for procuring an alternate source of power in the short-term if needed. In addition, SaskPower renegotiated its agreement with this IPP with a revised planned operation date of late 2017.

A documented risk assessment would include the rationale for selecting requirements set out in the RFQ and RFP. It would also list which documents SaskPower needs to request from bidders in the RFQ and RFP and explain what information they should contain in order to evaluate and validate proposals submitted. As well, a documented risk assessment would indicate the due diligence steps SaskPower must take to verify information submitted (e.g., contacting third parties to verify various elements in the proposal). Without a documented rationale on key RFQ and RFP requirements, it is unclear whether SaskPower sufficiently identified and mitigated its key risks.

3. **We recommend that SaskPower document its rationale for key requirements set in Request for Proposals and related due diligence requirements as part of the competitive independent power producer procurement process.**

As previously noted (towards the end of **Section 4.1.1**), as part of its draft Unsolicited IPP Procurement Process, by February 2015, we found that the Steering Committee had not set criteria guidelines (such as minimum technology standards and expected cost) for any particular technology. In addition, the Steering Committee had not set requirements with respect to the abilities (experience and financial resources) of IPPs submitting power proposals.

Without evaluation criteria that includes minimum technology and financial requirements and assessing the IPP's ability to own and operate a facility, SaskPower risks inconsistent and inadequate evaluations of unsolicited IPP proposals. As a result, SaskPower could pay too much for power, retain too much risk, or not be able to depend on the IPP as a reliable power source (see **Recommendation 2**).

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[19] Environmental permits are required for projects that are considered to be developments; most power generation facilities would require environmental permits before the start of construction.

4.3 Obtains Quotations Fairly for Competitive Bids

4.3.1 Consistent Communication of Criteria Needed

We expected that SaskPower would obtain appropriate authorization to initiate buying power from an independent power producer (i.e., issue properly-approved RFQ and RFP). As well, to obtain quotations fairly, we expected that SaskPower would communicate its independent power procurement process, and any changes to this process, to IPPs.

As noted in **Section 4.1.1**, SaskPower uses its policies to set the approvals that staff must obtain to initiate a procurement. It varies the level of approval depending on the size and complexity of the purchase. As previously noted, under the Governance Manual, SaskPower must obtain the approval of senior management, its Board, CIC Board, and Cabinet before it proceeds with buying power from an independent power producer.

To help ensure a fair and equitable procurement process, SaskPower's procurement policies require that it communicate the evaluation process to all bidders. As well, the procurement policies require that any changes to evaluation processes be communicated to all bidders.

For the wind power proposal we tested, we found that:

- SaskPower received appropriate approval for the project from its Board of Directors prior to the procurement starting.
- SaskPower clearly outlined its procurement process to IPPs in the RFQ and RFP. When changes were made or clarifications needed in the RFQ and RFP process, it adequately communicated this information to all IPPs.

SaskPower noted that its preferred method to buy power from independent power producers is to solicit proposals for specific projects and use a competitive procurement method. As such, SaskPower indicated that it has made a conscious decision to not communicate how it addresses unsolicited power proposals. It further noted that it prefers to rely on interested parties approaching it.

However, inconsistent with its procurement policies, for the unsolicited proposal we tested, we found that SaskPower did not share with interested potential IPPs the process it planned to use to evaluate the proposal. Not communicating its process and the criteria against which unsolicited power proposals are considered, SaskPower risks appearing biased, which could hurt its reputation.

4. **We recommend that SaskPower communicate to independent power producers who submit unsolicited proposals to supply power, the evaluation process and criteria against which unsolicited power proposals are considered.**

4.4 Selected Suppliers for Power

4.4.1 Bidders Evaluated and Selected Based on Requirements

We expected that SaskPower would:

- *Obtain adequate information to confirm that IPPs met evaluation criteria.*
- *Conduct due diligence to evaluate RFP responses from IPPs against the criteria set out for both competitive and unsolicited proposals. This would help mitigate risks to project completion.*
- *Require those charged with evaluating proposals to consider and declare, in writing, conflicts of interest (e.g., sign a conflict-of-interest statement).*

For the solicited wind power proposal we tested, we found that SaskPower's Supply Branch followed the Competitive IPP Procurement Process described in **Figure 7**. We found:

- Use of an Evaluation Committee consistent with its procurement policies.
- Evidence that the Evaluation Committee evaluated the RFQ submissions against the criteria set out in the RFQ, and only potential IPPs that met those were invited to submit a detailed proposal for the RFP evaluation process.
- Evidence that the Evaluation Committee and Price Proposal Committee evaluated RFP submissions as expected.
- SaskPower was unable to find signed conflict-of-interest declaration forms from both members of the Price Proposal Committee. SaskPower stated all committee members signed these forms. At February 2015, SaskPower had recently developed a new records information management system that includes a documentation retention schedule for procurements. SaskPower expects this system to help maintain all relevant procurement documentation.

While SaskPower evaluated the proposal based on requirements set out in the RFP, as previously noted in **Section 4.2**, these requirements could be strengthened by requiring bidders to submit more information to enable a more thorough evaluation of the proposals.

While SaskPower received numerous unsolicited proposals in 2013 and 2014, none of these projects have proceeded past the second stage (i.e., detailed evaluation of cost and time to finish power-generating facility) of its draft Unsolicited IPP Procurement process.

4.4.2 Documentation of Proposal Evaluations and Agreement Requirements Needed

We expected that SaskPower would:

- *Document its decision to buy power from a particular independent power producer (IPP) along with the basis of this decision*
- *Obtain approvals for each decision consistent with its policy and communicate its selection decision to IPPs*
- *Negotiate an agreement consistent with the requirements set out in the request for proposals (for competitive proposals) and with its evaluation criteria for unsolicited proposals*
- *Have a documented risk assessment that demonstrated whether SaskPower transferred risks, as intended, to the IPP through provisions in its agreements with IPPs*

SaskPower expected proposal evaluators (both solicited and unsolicited) to document the results of their work including the decision to buy power from a particular IPP. Under its Governance Manual, SaskPower was required to obtain approval from its Board to enter into an agreement for all IPP proposals. Under its procurement policies, SaskPower was also required to offer a debrief to help IPPs understand why they were not successful at their request.

SaskPower's Signing Authority Policy requires SaskPower's Chief Executive Officer (CEO) and legal and finance branches to indicate whether they each agree with the terms in the agreement based on their respective expertise prior to SaskPower finalizing the agreement. This process applies to agreements that SaskPower enters into with IPPs.

For the solicited wind power proposal and unsolicited proposals we tested, we found that:

- SaskPower's Supply Branch obtained the necessary approvals to notify the successful bidder consistent with the Governance Manual and communicated its selection decision
- SaskPower's Supply Branch obtained the necessary approvals to enter into a power purchase agreement consistent with the Signing Authority Policy
- The related Evaluation Committee and Price Proposal Committee had adequate documentation that showed the results of their evaluations using the requirements set out in the RFP, and their recommendation to management
- SaskPower offered a debrief session to unsuccessful bidders

For the unsolicited proposal we tested, we found that:

- SaskPower's Supply Branch obtained the necessary approvals to enter into a power purchase agreement consistent with the Signing Authority Policy.

- SaskPower provided the Board with its recommendation to proceed with the unsolicited proposal without a documented evaluation of the proposal. As a result, it is unclear whether SaskPower conducted sufficient due diligence in evaluating this project (see **Recommendations 2** and **3**).

Each of the agreements we tested included standard provisions. These provisions included operations and maintenance, billing and payment, default and termination, dispute resolution, and details on facilities to connect the IPP to SaskPower's electrical grid.[20] They also set out the date by which the IPP was expected to produce power.

We found provisions in the agreements showed that SaskPower considered and mitigated various risks. For example, SaskPower required IPPs to provide it with security payments and letters of credit before it undertook work to connect them to its electrical grid. However, because SaskPower did not have a documented risk assessment, it could not show us whether it retained and transferred risks as it intended through provisions in the agreement (see discussion in **Section 4.1.1** about the need for a more thorough consideration, documentation, and evaluation of risks as potential risk indicators during the development of a procurement strategy).

4.5 IPP Contracts Actively Monitored

4.5.1 Performance of Independent Power Producers Assessed

We expected that SaskPower would regularly assess the power production of IPPs and compare it to the agreed-upon production in the agreement. It would identify issues of IPP performance (i.e., identify when power production does not meet the contracted amount). We expected that SaskPower would take corrective action with independent power producers both those actively generating power and those not yet generating power.

In each of its agreements with IPPs, SaskPower requires an Operating Committee to be established. An Operating Committee is typically composed of two representatives from SaskPower and two representatives from the IPP. The Committee provides a formal communication tool between SaskPower and the IPP to discuss any matter related to the agreement and resolve disputes. Each of these Committees maintain minutes of their meetings.

For an IPP whose power-generating facilities are not yet producing power, the related Operating Committee meets as needed to monitor the IPP's progress (e.g., progress in achieving necessary permits and meeting construction timelines) towards meeting the operating date set out in the agreement. For operating IPPs, Operating Committees are required to meet at least annually to discuss ongoing operations.

For the wind power proposal we tested, we found that the Operating Committee worked as intended by identifying and addressing the reason for delay in power production. As of February 2015, the Operating Committee was actively trying to resolve the issue identified.

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[20] SaskPower's electrical grid is the network that delivers electricity from power generation facilities to consumers.

For all IPPs listed in **Figure 1**, we found evidence of SaskPower monitoring whether Operating Committees met as required (at least annually) and were addressing issues as expected.

In addition to Operating Committees, SaskPower has a monitoring structure to address day-to-day operations and assess power supply and usage. It uses its Supervisory Control and Data Acquisition (SCADA) system[21] to monitor its power grid at all times, and assigns account managers to monitor the performance of individual active power suppliers including IPPs. It escalates any issues or deviations from expected power delivery to the Manager of Power Contracts daily.

Also, account managers maintain regular contact with operating IPPs to discuss challenges or issues that arise. As well, on a monthly basis, they prepare reports for senior management that compare the power delivered to the agreed power delivery documented in the agreement.

SaskPower takes corrective action in accordance with provisions set out in each agreement (e.g., penalty structures). We found the monthly reports indicated instances where SaskPower took corrective action against IPPs that were not meeting power delivery as per their agreement.

SaskPower indicated that if the Operating Committee is unable to resolve identified issues, it escalates the issues to the Vice President of Resource Planning, and then to the legal department. We found that issues identified are escalated to the Operating Committee by SaskPower. In the course of our audit, we did not see evidence of any issues that were escalated beyond the Vice President of Resource Planning.

4.5.2 Reporting Done on Steps Taken

We expected that SaskPower would report to senior management and/or the board on corrective actions related to IPP performance.

SaskPower prepares monthly, quarterly, and annual reports that include information on the performance of independent power producers (e.g., amount of power delivered as compared to amount contracted). These reports are distributed to various departments (e.g., finance) and the Vice-President of Resource Planning. The Board is informed of any significant issues through the President's Report given at each meeting and through SaskPower's annual report.

We found these reports were regularly prepared for the past year and contained adequate information outlining energy supplied from IPPs and financial penalties charged due to non-performance from IPPs.

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[21] SCADA is a system used to monitor and control the transportation of electricity throughout Saskatchewan.

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Chapter 18
SaskPower—Managing the Risk of Cyber Incidents

1.0 MAIN POINTS

The Saskatchewan Power Corporation (SaskPower) is the principal supplier of power in Saskatchewan with its mission to deliver power in a safe, reliable, and sustainable manner. SaskPower uses information technology to deliver power and manage its business. SaskPower recognizes increasing its reliance on technology can help it provide services more efficiently and reliably, and improve interaction with its customers.[1]

In 2012, Public Safety Canada reported that the frequency and severity of cyberattacks is accelerating.[2] Sophisticated individuals may be able to disrupt electronic controls of power grids, water treatment plants, and telecommunications networks.

For the 12-month period ended February 28, 2015, SaskPower had effective processes to manage the risk of cyber incidents for the protection of the provision of power, except for the following. It needs to improve documentation of threats that could lead to cyber incidents, and confirm that its cyber risk mitigation strategy addresses the significant threats. Without complete documentation of threats that could lead to cyber incidents and confirmation that its cyber risk mitigation strategy address all significant threats, SaskPower may be more susceptible to successful cyberattacks.

SaskPower also needs to provide its staff with guidance to assist in assessing when an information technology (IT) security-related event is considered a cyber incident. Inconsistent determination of when to treat an IT security-related event as a cyber incident may result in SaskPower not appropriately responding to incidents.

2.0 INTRODUCTION

SaskPower operates under the mandate and authority of *The Power Corporation Act*. It is responsible for serving more than 500,000 customers in Saskatchewan.[3]

This chapter describes the results of our audit on the effectiveness of SaskPower's processes to manage the risk of cyber incidents to protect the provision of power.

2.1 Importance of Cyber Security

Cyber incidents (which can include cyberattacks) include the unauthorized or unintentional access, use, manipulation, interruption, or destruction (via electronic means) of electronic information and/or the electronic and physical infrastructure used to process, communicate and/or store that information.[4] Cyber security protects IT systems and data from cyber incidents and reduces the likelihood and impact of cyberattacks on operations.

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[1] SaskPower, *SaskPower 2013 Annual Report*, p. 46.
[2] Public Safety Canada, *Canada's Cyber Security Strategy*, p. 3.
[3] SaskPower, *SaskPower 2013 Annual Report*, p. 1.
[4] Public Safety Canada, *Canada's Cyber Security Strategy*, p. 3.

In common with other electrical companies, SaskPower uses IT systems to deliver power and manage its business. SaskPower recognizes that technology enablement (i.e., increasing its reliance on technology) can help it provide services more efficiently and reliably, and improve how it interacts with customers.[5]

SaskPower uses computer hardware and software to operate and control its power distribution (these are referred to as Operational Technology or OT). In addition, it uses various IT systems such as the Supervisory Control and Data Acquisition (SCADA) system[6] to enable it to operate and control its power distribution facilities remotely.

As SaskPower increases its reliance on technology, it increases the risk of cyber incidents significantly impacting and disrupting its operations. As noted in its *2013 Annual Report*, SaskPower acknowledges that its power facilities are exposed to the risk of man-made events (including cyberattacks).[7]

Without effective cyber security, SaskPower is more susceptible to successful cyberattacks (where attackers gain access to or use of an IT system). Attackers could potentially use these successful cyberattacks to jeopardize SaskPower's ability to deliver power – an essential need in today's society. Disruptions in providing power could potentially damage power-generating plants and/or transmission equipment, adversely impact businesses who need power to operate, or put public safety at risk depending on the timing and extent of the security incident.

3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether SaskPower had effective processes to manage the risk of cyber incidents for the protection of the provision of power. Our audit covered the 12-month period ended February 28, 2015.

We did not assess the physical security of SaskPower's assets critical to providing power.

We examined SaskPower's documentation setting out its policies and processes for the detection of, monitoring for, and responding to cyber incidents that may affect its cyber assets (e.g., control centres, power transmission stations). We reviewed evidence (e.g., results of exercises, compliance assessments, reports to management and the Board) to assess whether SaskPower had followed its procedures.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SaskPower's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. SaskPower's management agreed with the criteria (see **Figure 1**).

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[5] SaskPower, *SaskPower 2013 Annual Report*, p. 46.
[6] Ibid., p. 19.
[7] Ibid., p. 69.

Figure 1—Audit Criteria

1. **Identify risks of cyber incidents**
   1.1 Identify systems involved in the provision of power that would be targets for cyber incidents
   1.2 Assess likelihood and impact of cyber incidents for targets identified
   1.3 Establish a strategy for reducing cyber incident risks to an acceptable level
2. **Mitigate identified cyber incident risks**
   2.1 Establish mitigation procedures for targets identified
   2.2 Incorporate lessons learned into risk management strategy for cyber incidents
   2.3 Establish detection processes for targets identified
   2.4 Minimize administrative user access for targets identified
   2.5 Maintain a response plan for cyber incidents
3. **Respond to cyber incidents**
   3.1 Continuously monitor to detect cyber incidents
   3.2 Respond promptly to cyber incidents when they occur
   3.3 Report timely to senior management and the Board of Directors

We concluded that, for the 12-month period ended February 28, 2015, SaskPower had effective processes to manage the risk of cyber incidents for the protection of the provision of power except for the following.

SaskPower needs to document the most likely types of information technology threats that could lead to cyber incidents that adversely impact its ability to provide power, and confirm that its cyber risk mitigation strategy addresses the significant threats of cyber incidents. SaskPower also needs to give its staff guidance to help them consistently assess when an IT security-related event becomes a cyber incident.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out the criteria (expectations) in italics and our key findings along with related recommendations.

4.1 Need for Complete Documentation of IT Threats to Critical Cyber Assets—Operational Technology Systems

To identify risks of cyber incidents, we expected SaskPower to:

- *Inventory its assets involved in providing power that could be targets for cyber incidents (i.e., critical cyber assets – OT systems).*
- *Determine that the listing of critical cyber assets is complete (e.g., do a periodic review of them).*
- *Formally assess risks of critical cyber assets as targets for cyber incidents (including identifying potential vulnerabilities, the likelihood of identified risks, and impact on SaskPower). Vulnerabilities are weaknesses in the cyber assets that may allow attackers to gain access into the related OT system.*
- *Maintain a current written strategy for mitigating risks of critical cyber assets as identified as targets of cyber incidents.*

SaskPower has a policy that requires staff to update and review its critical asset inventory (i.e., listing of assets used to provide power throughout the province) at least every 15 months. Also, it has documented procedures to help it identify those critical assets, and the impact and likelihood of asset failure. The procedures require an assessment team to:

- Identify assets critical to providing power throughout the province.
- For each identified asset, document the critical nature of each asset based on the impact of failure of the asset would have on SaskPower's ability to provide power. SaskPower has documented criteria to help assess the impact of asset failure.
- Determine the likelihood of failure.

The assessment team is comprised of staff from several departments (e.g., plant services, enterprise services) and staff with expertise in processes to maintain power plants.

We found SaskPower used peer reviews (e.g., applicable electrical engineers), external third-party reviews (e.g., Public Safety Canada), and reviews and approvals from senior management to ensure completeness of its inventory of critical assets (i.e., its OT systems).

We found that, while SaskPower kept a current listing of what it had assessed as its critical assets, it had not specifically identified which of those assets could be potential targets for a cyber incident. Management indicated that they consider all of the critical assets (e.g., control systems, data acquisition systems, networking equipment) used in the provision of power to be most-likely targets for cyber incidents.

As part of its process to assess risks, SaskPower considered the significance of each identified critical asset at a site (e.g., transmission station) to its ability to deliver power, assessed the potential overall impact of the asset failure on the site, and then categorized and ranked the sites based on its impact assessment. Also, SaskPower's risk assessment documents the likelihood of failure of critical assets and its assessment of the potential impact of this failure on the Corporation and public safety (e.g., major consequence, significant consequence, minor consequence).

In March 2015, SaskPower provided its senior management and Board of Directors with a high-level summary of the potential threats it faced in relation to its assets that provide power, the impact of those threats, and the safeguards that it had in place to mitigate those threats (mitigation strategy). However, this high-level summary may not be complete. We found that SaskPower did not specifically identify potential weaknesses in and threats to its OT systems (e.g., unauthorized connections of these systems to the internet, use of USBs) that may allow an attacker to get into the critical cyber assets. In turn, SaskPower did not assess the likelihood of these types of cyberattacks (e.g., where attacker pretends to be an authorized user, viruses cause system not to operate as intended) that potentially could lead to a cyber incident.

Without fully documenting the types of information technology threats most likely to be used to cause a failure of assets critical to providing power, it is difficult for SaskPower to ensure it has the appropriate strategy in place to mitigate the risks.

1. **We recommend that SaskPower document the most likely types of information technology threats that could lead to cyber incidents that would adversely impact its ability to provide power.**

2. **We recommend that SaskPower confirm that its cyber risk mitigation strategy addresses the significant threats of cyber incidents that would adversely impact its ability to provide power.**

4.2 Need for Guidance on Assessing Cyber Events

To mitigate risks of cyber incidents, we expected SaskPower:

- *To follow established mitigation procedures for critical assets assessed as having a high risk of being a target of cyber incidents. A critical part of reducing cyber incidents is to minimize administrative user access (i.e., powerful access that allows the user to make changes to system settings and functions) to high-risk targets.*
- *To follow established cyber incident detection processes. A detection process is based on established thresholds that define what is a cyber incident.*
- *To maintain a response plan for cyber incidents and respond to cyber incidents incorporating, to the extent possible, lessons learned from past cyber incidents.*

SaskPower has a detection and response plan for use in the event of an incident (including a cyber incident); it calls this plan the "Incident Command System" (ICS). ICS includes detailed procedures for both detecting and responding to incidents (including cyber incidents).

ICS documents the processes used when an incident is detected including who would be involved in responding to an incident, the participants' responsibilities, the required communications regarding the incident, and the steps for planning the response to the incident. Also, the ICS set out expected detection activities, such as use of intrusion detection systems and anti-virus software and the review of security logs[8] and alerts.[9] We found that SaskPower has implemented the detection activities as set out in the ICS including periodic reviews of system logs and alerts. We noted various staff (e.g., system technicians) were assigned responsibility to review security logs and alerts. An IT security-related event is any observable occurrence in a system (e.g., a firewall blocking a connection attempt, failed log-on attempts).

While SaskPower used processes to detect and track various IT security-related events, we found that it did not have documented criteria that set out what IT security-related events it considered as cyber incidents (such as a series of failed log-in attempts in a short period). Without a clear and consistent understanding as to when an IT security–related event should be classified as a cyber incident, there is an increased risk that an IT security-related event identified in detection activities would not be appropriately addressed. That is, there is a risk that SaskPower's ICS response plan would not be invoked when needed and actions would not be taken to address the risk within an appropriate timeframe. Also, without documented guidance, there is a risk that IT security-related events may be inconsistently considered to be a cyber incident when more than one person assesses and monitors IT security-related events.

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[8] Security logs track security-related information (e.g., log-in and log-out activity) on a computer system.

[9] A sound or message that indicates some predefined event has occurred or a selected operation is about to be performed.

3. We recommend that SaskPower provide its staff with guidance to assist in assessing when an information technology security-related event is considered a cyber incident, and requires the use of its incident command system response plan.

SaskPower requires approval for any changes to user access (e.g., addition of a new employee) to its OT systems including the systems used to operate and control power distribution. Also, on an annual basis, it requires a review of all user access to determine if access provided remains relevant. These user-access change procedures include administrative user access. We found SaskPower followed its user–access change procedures and appropriately restricted its administrative user access for its critical assets to a small number of employees.

We note that once the ICS is invoked, ICS includes procedures to categorize an incident into different levels (i.e., low, medium, high, and critical). Each level results in differing actions and involvement of staff to reflect the risk and severity of the incident.

Also, the ICS requires yearly training of the response team and a review of the incident response to incorporate lessons learned in future responses. We observed evidence that yearly training occurred. SaskPower regularly tests its response plan through test exercises. It completed testing exercises in 2013 and 2014. Management indicated that it is planning to conduct another exercise in 2015. Management stated that in the last three years, it had not detected a cyber incident, nor an interruption to the provision of power due to a cyber incident related to its OT assets used in the provision of power. As such, it had no need to invoke its ICS response plan.

4.3 Regular Reports to Management Occurring

To effectively respond to cyber incidents, we expected SaskPower to regularly monitor to detect cyber incidents. Once an incident is detected, we expected SaskPower to respond promptly, and report, on a timely basis, the incident to senior management and the Board of Directors.

SaskPower has established policies and procedures for regular monitoring of incidents that could impact its critical assets. As previously noted in **Section 4.2**, SaskPower's ICS clearly defines key roles and responsibilities involved in responding to incidents, including cyber incidents.

We found that SaskPower communicated ICS procedures to its employees and has made it readily available to staff for reference should an incident occur. The ICS outlines the required communication for each level of incident. Where the incident is defined as critical, this communication includes notification of senior management.

We found that, each month, SaskPower's Director of Enterprise Security gave senior management an update on security issues (e.g., security incidents, current investigations, industry security advisories). During 2014 and up to February 2015, SaskPower did not identify any cyber incidents related to assets used in the provision of power.

Also, SaskPower's Internal Audit Division gathers information on incidents occurring at SaskPower and reports them to a Committee of the Board of Directors. Management indicated that this reports would include significant security and cyber incidents, if any.

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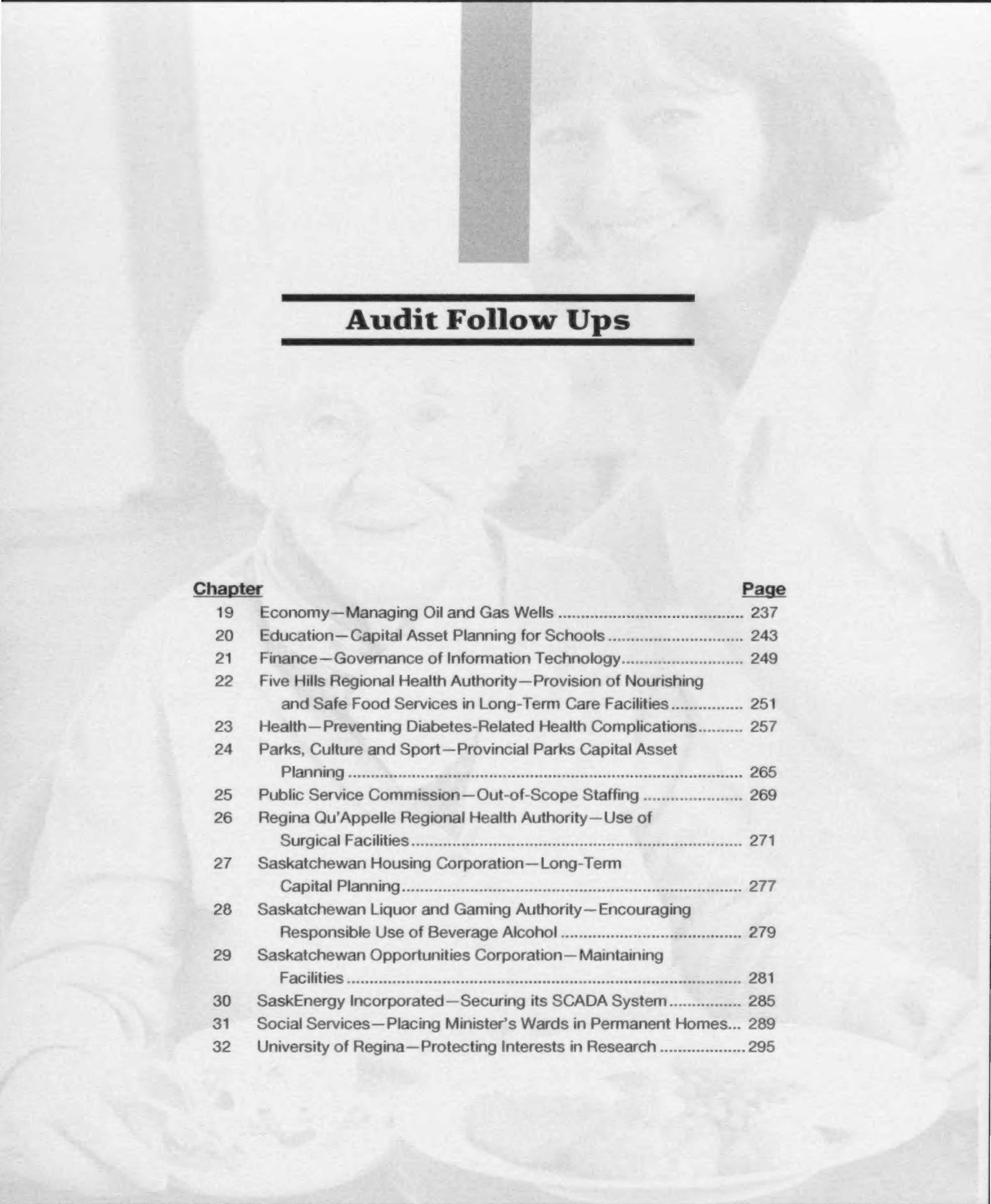

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Chapter 19
Economy—Managing Oil and Gas Wells

1.0 MAIN POINTS

The responsibilities of the Ministry of the Economy (Ministry) include regulating the oil and gas industry. Its regulatory responsibilities focus on public safety, environmental protection, and resource management matters. The Ministry estimates that the overall costs of cleaning up existing oil and gas wells and facilities could exceed $3 billion.[1] If the industry fails to clean up its wells and facilities, the costs of cleanup could potentially fall to Saskatchewan residents.

This chapter reports on the status of seven outstanding recommendations we made in our 2012 audit on the Ministry's processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities.

By February 28, 2015, the Ministry had implemented one recommendation and had made progress on six recommendations. More work is required to meet the remaining recommendations.

The Ministry has made some progress in addressing its responsibility for cleanup of inactive wells and facilities but it needs to document its assessment of the resources it requires to monitor, assess and report on the financial risks, and also needs to document its plans.

2.0 INTRODUCTION

This chapter reports the results of our follow-up of seven recommendations we made in our *2012 Report – Volume 2*, Chapter 31, to improve the Ministry's processes to manage the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We obtained an update on progress from the Ministry and reviewed all relevant documentation (e.g., applicable legislation, annual reports, ministry records) provided to us by the Ministry.

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[1] Information taken from the Ministry of Economy's records.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2015, and the Ministry's actions up to that date.

3.1 Program to Increase Regulatory Oversight Implemented

We recommended the Ministry of the Economy actively mitigate the risks resulting from the Ministry being responsible for both the promotion of the development of the oil and gas industry and for the protection of the environment, property, and the safety of the public. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Implemented

The Ministry is alert to its dual role of being responsible for both promoting the development of the oil and gas industry and protecting the environment, property, and safety of the public.

As of April 1, 2014, legislation[2] was amended to allow the Ministry to collect a well levy from the licensees for each well that they own. The new levy requires industry to pay 90% of regulatory oversight costs. This amendment mitigates the risks associated with this dual role.

By law, money collected through the well levy is targeted specifically to delivering a regulatory framework focused on public safety, environmental protection, and resource management functions of the Ministry. The levy is designed to ensure that regulatory programs are appropriately funded and sustainable (i.e., will take place on a regular basis over time). These regulatory programs include enhanced well and facility operations monitoring and enforcement, increased oversight of contaminated sites, enhanced reservoir reporting and monitoring, and enhanced spill contingency and response. As noted in **Section 3.2**, since our 2012 audit, the Ministry has increased the number of wells it has abandoned.[3]

The Ministry has organized the Petroleum and Natural Gas Division into five branches. Two branches are dedicated to regulatory activities such as resource conservation, environmental protection and maintaining public safety. Two branches are dedicated to advancing and developing oil and gas development. The fifth branch provides program support for the other areas of the Division. The Ministry has assigned the responsibility for the regulatory programs to one of these five branches – the Petroleum Development

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[2] Changes were made to *The Oil and Gas Conservation Act* and *The Oil and Gas Conservation Regulations, 2012*.

[3] In this chapter, well clean up means well abandonment and well site reclamation. Well abandonment involves permanently squeezing cement into any perforated intervals in the well hole and filling the hole with cement to prevent any subsurface formation containing gas or fluids from leaking below ground or escaping above ground. Well site reclamation involves removing all facilities (equipment and structures), remediating (cleaning up) contaminated soils and/or groundwater, and returning the site to its original or equivalent condition.

Branch. This Branch focuses primarily on regulatory activities and does not undertake any promotion activities.

3.2 Financial and Environmental Risk Mitigation Needs Improvement

We recommended the Ministry of the Economy assess and allocate the resources and skills necessary to effectively carry out the Licensee Liability Rating Program, the Orphan Abandonment Program (including the timely cleanup of orphaned wells and facilities), and the Acknowledgement of Reclamation Program. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

By February 2015, the Ministry had not formally assessed the resources and skills necessary to carry out the Licensee Liability Rating (LLR), Orphan Abandonment (OA) and Acknowledgement of Reclamation (AOR) programs.[4]

Since our 2012 audit, the Ministry has allocated additional resources and made some progress in carrying out these programs:

- The AOR program: In 2014-15, it had one full-time position in this program (2012 – no full-time positions). The Ministry has used these additional resources to increase the number of applications[5] it has reviewed, and the number of wells and facilities it has moved into the AOR program.
- The OA program: In 2013-14, it abandoned 60 wells[6] as compared to seven wells[7] in 2012-13. The Ministry expects to abandon approximately 60 more wells in 2014-15.
- The LLR program: The Ministry has reduced the estimated amount that the oil and gas industry owes for the clean-up of wells, from almost $40 million at the inception of the program to just over $10 million at March 31, 2014.[8]

While the Ministry has made progress in the three programs, completing formal assessments would allow the Ministry to identify the resources and skills needed in each area in order to effectively carry out each program.

We recommended the Ministry of the Economy use current estimates and trend analysis to monitor, assess, and report on the risks and associated costs of the future cleanup of wells and facilities. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

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[4] For a brief description of these programs, see our *2012 Report – Volume 2*, Chapter 31, p. 248-250.

[5] These applications are submitted by the well licensee. They are a request for the Ministry to issue a certificate to the licensee to confirm that they have met the Ministry's well site remediation standards.

[6] *Saskatchewan Oil and Gas Orphan Fund Annual Report for 2013-14*, p. 5.

[7] An orphan well or facility is a location in which an owner no longer exists or cannot be located.

[8] *Saskatchewan Oil and Gas Orphan Fund Annual Report for 2013-14*, p. 5.

Since our 2012 audit, the Ministry has started to collect data that will allow it to address this recommendation. For example, the Ministry has collected cost information that will assist it in developing updated cost estimates for future orphan well reclamation. The Ministry plans to complete and report on its assessment, including risks and cost estimates, by March 31, 2016.

We recommended the Ministry of the Economy assess the need for extending its independent audit practices to sample licensees' well sites whose reclamation reports contained no anomalies and/or discrepancies. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

In 2013-14, in addition to sampling well sites whose reclamation reports contain anomalies and/or discrepancies, the Ministry started to audit a sample of licensees'[9] well sites where there are no reported anomalies or discrepancies. The number of sites it audited increased from 7 sites in 2011-12 to 22 sites in 2014-15. Of these 22 audits, 16 were from well sites where there were no anomalies or discrepancies in the reclamation reports. While the Ministry indicated that it plans to carry out these types of audits each year, at February 2015, it had not documented its assessment or plans for future audits.

3.3 Monitoring and Reporting Results Needs Improvement

We recommended the Ministry of the Economy report on its effectiveness to the Legislative Assembly and the public in managing the financial and associated environmental risks related to the future cleanup of oil and gas wells and related facilities. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

The Ministry's *2013-14 Annual Report* included comparative information about risk trends (e.g., the number of licensees whose productive value of wells and facilities are declining and reaching the point where security deposits will be required).

While trend information provides insight into management's effectiveness, providing comparisons of actual to planned is more valuable. By February 2015, the Ministry had not set the number of orphaned wells and facilities it planned to clean up each year to enable a comparison of actual to planned. Also, the Ministry did not make public the key risks it faces in cleaning up wells and facilities and did not report on its progress in addressing these risks.

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[9] A licensee is the owner of a well and related facilities.

We recommended the Ministry of the Economy manage the financial and associated environmental risks related to the timely cleanup of inactive wells and facilities. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

At February 28, 2015, the Ministry was developing a directive that will outline well abandonment procedures and approvals for the oil and gas industry. It expects the directive to address timeliness of abandonment procedures.

To assist in developing the directive, the Ministry established a committee comprised of members from the Ministry, industry, and regulatory bodies (i.e., Alberta Energy, Canadian Association of Petroleum Producers). One of the committee's roles will be to oversee a contract to develop the directive. The Ministry was drafting a Request for Proposal to contract with members of the industry to further assist in developing the directive. The Ministry plans to have the directive completed by June 2016.

We recommended the Ministry of the Economy complete its assessment of the financial and environmental risks arising from legacy well sites, assess its liability, and develop a plan for cleaning up contaminated legacy well sites. (2012 Report – Volume 2; Public Accounts Committee agreement December 9, 2013)

Status – Partially Implemented

By February 28, 2015, the Ministry had assessed the financial risks that arise from legacy well sites.[10] This assessment outlined how the Oil and Gas Orphan Fund is responsible for paying for the remediation of all legacy well sites. It noted the following:

- If a legacy site is contaminated and the licensee still exists, the Ministry, under the current legislation, has the authority to require the licensee to rectify the problem
- If the licensee cannot be located for the legacy site, then the orphaned legacy site falls within the current definition of "orphan" as outlined in *The Oil and Gas Conservation Regulations, 2012*

Also, in 2015, the Ministry hired two temporary staff members who are responsible for conducting site investigations at legacy sites. The Ministry plans to conduct these investigations from May to August 2016. The Ministry plans to use information from these investigations to help it assess the environmental risks associated with these sites, what liability may be present from these legacy sites, who is responsible for the liability (i.e., licensees or the Orphan Fund), and then develop a plan for cleaning up any contaminated sites.

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[10] Legacy well sites are sites that received a release prior to 2007 from surface owners (e.g., farmers) or certificates issued pursuant to subsection 56 (2) of *The Surface Rights Acquisition and Compensation Act*.

Chapter 20
Education—Capital Asset Planning for Schools

1.0 MAIN POINTS

The Ministry of Education (Ministry) is responsible for aligning capital project funding with the educational needs of communities and the provincial Pre-Kindergarten (Pre-K) to Grade 12 systems as a whole. As such, effective capital asset planning processes are essential to reduce the risk of funding lower priority capital projects.

In our *2013 Report – Volume 1*, Chapter 8, we concluded that the Ministry did not have effective capital asset planning processes for facilities to house and support educational programs and instructional services for students in school divisions. We made eight recommendations; by February 2015, the Ministry had implemented three of them.

By February 2015, the Ministry had improved the processes it uses to collect capital asset information for each school division, determine and prioritize overall current and long-term capital asset needs of the provincial Pre-Kindergarten to Grade 12 system, and track capital projects of school divisions. It has plans for further improvements to address the remaining five recommendations.

On March 18, 2015, in conjunction with the release of the *Saskatchewan Provincial Budget 15-16*, the Government announced its plans to have the Ministry fund 100% of capital costs for future major school projects, including those previously announced but where construction has not yet begun. This reflects a change in policy. Previously, the Ministry expected school divisions to directly finance a portion of the costs of these projects.[1]

2.0 INTRODUCTION

The Education Act, 1995 requires the Ministry to approve all major capital projects (i.e., those costing more than $1 million). This includes construction of new school buildings, additions to existing school buildings, or major renovations of school buildings (section 351).

This chapter reports the results of our follow-up work on the implementation status of eight recommendations we made our *2013 Report – Volume 1*, Chapter 8.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

We reviewed the Ministry's policies and procedures manuals, and examined information the Ministry used to analyze capital projects recommended by school divisions. We also interviewed Ministry officials as necessary.

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[1] www.finance.gov.sk.ca/budget2015-16/2015-16governmentdirection.pdf (1 April 2015).

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2015, and the Ministry's actions up to that date.

By February 2015, we found that the Ministry had implemented three recommendations, partially implemented two, and had not implemented the remaining three.

3.1 Measurable Capital Asset Strategy Needed

We recommended that the Ministry of Education develop and use a capital asset strategy that coordinates overall capital needs for schools in the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

We recommended that the Ministry of Education develop and implement measures and targets to monitor the success of its capital asset strategy across the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

We found, by February 2015, the Ministry had not completed the development of its capital asset strategy. The Ministry is developing this strategy so that it encompasses all school divisions. The Ministry indicated that it has started to work towards developing some measures and targets to monitor success.

In 2014, the Government engaged SaskBuilds to lead an inter-ministerial 10-year integrated capital planning process and hired an external consultant to coordinate this process. Also, the Ministry formed an Infrastructure Advisory Committee (IAC). IAC has met quarterly since December 2013. IAC provides the Ministry with advice and support regarding the development of new infrastructure policy, procedures, and process development. The 16-member IAC includes representation from across the province including Ministry representatives, Saskatchewan School Board Association, League of Educational Administrators, Directors and Superintendents, Saskatchewan Association of School Business Officials, Saskatchewan Teachers Federation, Federation of Saskatchewan Indian Nations, and Métis Nation-Saskatchewan.

Lack of a system-wide capital asset strategy increases the risk that the Ministry may provide capital funding or support for the project to proceed when other projects may be a higher priority given limited resources.

Performance measures can assist organizations in identifying strategies that are not effective to allow timely adjustments. Without measures and targets to evaluate the success of its capital asset strategies, the Ministry cannot appropriately measure whether capital funding is effectively used across the provincial Pre-K to Grade 12 system.

3.2 Timely Review of Capital Asset Policies Needed

We recommended that the Ministry of Education formally review, update, and communicate its capital asset policies (including Funding Guidelines) for the provincial Pre-Kindergarten to Grade 12 system on a timely basis. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

With IAC's establishment, the Ministry started to review and update its capital policies and as of February 2015, it had completed the following policies: Emergent Funding Program Policy, Borrowing for Approved Infrastructure Projects Policy, and Preventative Maintenance and Renewal Funding Policy. However, as of February 2015, the review of all policies was not complete. The Ministry indicated that it anticipates developing additional capital-related policies over the next year. These policies are expected to include self-funded capital projects, relocatable funding program, community-funded space, and contingency funding and use.

The Ministry has adequately communicated policies it has completed (through Blackboard, an internal website, and the Government of Saskatchewan website) to affected parties.

Periodically reviewing and updating capital asset policies and the Funding Guidelines is essential to maintain their relevance. Relevant policies will help ensure that required schools are built in the right location at the right time to meet the evolving needs of communities.

3.3 Formal Review of Prioritization of Capital Projects

We recommended that Ministry of Education formally review, update and communicate the process for the prioritization of provincial Pre-Kindergarten to Grade 12 system capital assets. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

The Ministry implemented a new prioritization framework in October 2013. Also, as part of the framework, the Ministry developed a standardized funding application form. The new form includes project type, location of school, key drivers of the project (e.g., health and safety risk, infrastructure condition), estimated costs, functionality concerns, contribution to the community, and expected utilization rates. The Ministry requires school divisions to complete this form when requesting major funding. It presented the new framework to all of the school divisions and, in these presentations, highlighted the changes to its processes.

The Ministry used this framework to prioritize capital projects for 2014-15. We found that it had reviewed and updated its prioritization of capital projects consistent with the framework and communicated the changes to its processes to the school divisions. The Ministry indicated that it expects to use the same framework for the prioritization of capital projects in 2015-16.

3.4 Accurate and Complete Data Available to Determine School Division Capital Asset Needs

We recommended that the Ministry of Education use accurate and complete capital asset information for each school division to determine overall current and long-term capital asset needs of the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

With the use of the new form mentioned in **Section 3.3**, the Ministry has better information to determine current capital needs. The form requires school divisions to prioritize their capital needs and submit only their top three requests for approval and funding.

We found that since 2006, the Ministry has used a computer system, known as Asset Planner.[2] This system tracks pertinent data on past and current capital projects, as well as future capital needs for all school divisions. Information tracked includes building area, date of construction, and replacement costs.

We noted that discrepancies in school areas exist as the Ministry did not always or consistently update the system for changes to school floor plans. At February 2015, the Ministry was verifying gross school area data with school divisions and expects to complete this data verification before it finalizes 2015-16 funding decisions.

We found that the Ministry obtains information on the condition of the facilities in school divisions by hiring a third-party contractor to perform building condition assessments of each facility in each school division on a five-year cycle. When facilities need significant updates, an independent inspection is conducted. The results of this inspection (including condition of the facility) are documented in Asset Planner. Also, school divisions may hire a third party for an additional condition assessment of school facilities as needed, and may share the results with the Ministry as support for their funding request.

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[2] Asset Planner was initially known as FAME; the product name changed in 2013.

The Ministry uses gross areas of facilities from Asset Planner to calculate school utilization rates and make certain capital planning and funding decisions such as the amount of funding given to school divisions for preventative maintenance.

3.5 More Assessment Needed of Capital and Non-Capital Alternatives

We recommended that the Ministry of Education assess both capital and non-capital alternatives to address identified capital asset needs across the provincial Pre-Kindergarten to Grade 12 system. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Partially Implemented

While we found that the Ministry had developed a new standardized funding application for major capital projects, the application did not ask the school divisions to consider other capital and non-capital alternatives for these projects. The Ministry has recognized this and is planning to amend the 2015-16 funding application to include this information.

Without appropriate analysis of other capital and non-capital alternatives, the Ministry is unable to assess whether its resources are being utilized appropriately.

3.6 Consistent Prioritization of Capital Projects

We recommended that the Ministry of Education consistently prioritize all capital projects across the provincial Pre-Kindergarten to Grade 12 system and track all capital projects of school divisions. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Implemented

Using the prioritization framework discussed in **Section 3.3**, the Ministry consistently prioritized the 2014-15 capital projects; it expects to use the same framework in 2015-16.

The new prioritization framework has resulted in the Ministry modifying its methodology for determining capital project prioritization. It calculates a Facility Priority Index (FPI) for each capital funding request. FPI takes into account health and safety issues (which are weighted more significantly than others), utilization factors, as well as building conditions. The higher the calculated FPI, the higher the capital request is placed on the priority list.

This consistent method for determining prioritization helps ensure that the Ministry focuses its efforts and resources on the most critical capital projects.

3.7 More Analysis Needed for Financing Alternatives

We recommended that the Ministry of Education select the method of financing for capital projects of school divisions based on analysis of capital financing alternatives. (2013 Report – Volume 1; Public Accounts Committee agreement January 14, 2015)

Status – Not Implemented

At February 2015, school division capital projects were financed either through provincial borrowing (from the General Revenue Fund), school division borrowing, and/or private sector borrowing (for those projects selected for a public-private partnership [P3] procurement method). Different financing alternatives may have different borrowing rates available to the Government (provincial borrowing rate), the school division, and to a private sector partners (if any), resulting in differing overall project costs to the taxpayer.

For nine joint-use school capital projects, Cabinet has asked SaskBuilds to determine whether a P3 procurement approach is suitable. SaskBuilds' process includes considering the costs of financing under both P3 and conventional procurement approaches. For these projects, the Ministry has provided SaskBuilds with the requested information to enable SaskBuilds to make its determination.

For projects following the conventional procurement approach, we found that while the Ministry has a policy that gives some guidance to school divisions about financing, the policy does not require the Ministry nor the school division to analyze the benefits and risks of the various capital financing options. As of February 2015, while the Ministry had indicated its intent for future capital projects to be financed from the General Revenue Fund, it had not formalized or communicated this change.

Chapter 21
Finance—Governance of Information Technology

1.0 MAIN POINTS

This chapter reports the results of our third follow-up of the two recommendations we made in our *2009 Report – Volume 3*, Chapter 7, on the Ministry of Finance's processes for overseeing information technology (IT). At December 31, 2014, Finance had only partially implemented both recommendations. Finance still has work to do to fully address the recommendations we made in 2009.

During 2014, Finance completed additional risk assessments for replacing a significant IT system and it started work on an environmental scan to further identify areas of opportunity and risk related to IT. However, Finance had not completed its IT risk management plan based on an analysis of IT risks, and had not yet implemented an IT strategic plan.

2.0 INTRODUCTION

In carrying out its mandate, Finance makes extensive use of IT. For example, it uses IT for revenue, investment, and debt management. In 2013-14, Finance spent $7.4 million on IT and estimates spending $7.4 million for 2014-15.

Finance is responsible for its own use of IT even where it uses service providers such as the Information Technology Division of the Ministry of Central Services (ITD), and thus must maintain effective oversight of its IT systems and data. Effective oversight of IT is crucial in achieving Finance's goals of delivering high quality, timely and accurate reporting, and providing services that meet client needs in the most effective and efficient manner to support its overall goal of delivering responsive and responsible government.[1]

In our *2009 Report – Volume 3*, Chapter 7, we concluded that Finance had adequate processes for IT oversight for the 12-month period ended September 30, 2009 except it needed to develop an IT risk management plan based on analysis of IT risks, and implement an IT strategic plan. We made two recommendations. Our *2011 Report – Volume 2,* Chapter 9, and our *2013 Report – Volume 1,* Chapter 22, reported that Finance had made some progress in implementing our 2009 recommendations but had more work to do.

This chapter describes our third follow-up of management's actions to address the recommendations we made in 2009.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Finance's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Finance's management agreed with the criteria in the original audit.

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[1] Ministry of Finance, (2014), *Plan for 2014-15*.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of each recommendation at December 31, 2014, and Finance's actions up to that date. We found that Finance still has more work to do.

3.1 IT Risk Analysis and Risk Management Plan

We recommended that the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010).

Status – Partially Implemented

As previously reported in our *2013 Report – Volume 1*, Chapter 22, Finance has a risk register of identified, analyzed, and evaluated risks related to the Ministry's IT strategy. During 2014, Finance completed further risk assessments for replacing a significant IT system. However, Finance has not developed responses to all identified IT risks.

During 2014, Finance also started work on an environmental scan to further identify areas of opportunity and risk related to IT throughout the Ministry. Finance plans to use the environmental scan to update its risk register and to develop the IT risk management plan. Management indicated that it plans to complete this work by the second quarter of 2015.

3.2 IT Strategic Plan

We recommended that the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives. (2009 Report – Volume 3; Public Accounts Committee agreement June 25, 2010)

Status – Partially Implemented

As previously reported in our *2013 Report – Volume* 1, Chapter 22, Finance has a draft IT strategic plan which includes planned IT initiatives for its divisions. Finance uses a five-year plan for proposed IT projects categorized by priority, determined by informal assessments of business risk.

Management indicated that it plans to develop an IT strategic plan that ties to Finance's overall strategic and operational objectives and addresses IT governance based on the environmental scan described in **Section 3.1**. Management expects to complete the IT strategic plan by the second quarter of 2015.

Chapter 22
Five Hills Regional Health Authority—Provision of Nourishing and Safe Food Services in Long-Term Care Facilities

1.0 MAIN POINTS

Since our 2012 audit of Five Hills Regional Health Authority's (Five Hills) processes to provide nourishing and safe food services in its owned and affiliated long-term care facilities, Five Hills has made good progress in implementing our 11 recommendations. At March 31, 2015, Five Hills had implemented seven recommendations, and had work underway to implement the remaining four.

Five Hills is working to update its *Nutrition and Food Services Policy and Procedures Manual* and having all modified menus regularly reviewed by a registered dietitian. It also needs to consistently record the temperature of food before serving it to residents and follow its policy to conduct annual risk-based audits or reviews of food services.

2.0 INTRODUCTION

Under *The Regional Health Services Act*, Five Hills is responsible for the delivery of health care in its region, including long-term care. *The Housing and Special-Care Homes Regulations* outline standards for food service in long-term care homes.

Our *2012 Report – Volume 2*, Chapter 28, concluded that Five Hills could not always ensure that nourishing and safe food services were provided to residents in its long-term care facilities. We made 11 recommendations. This chapter reports the results of our first follow-up of those recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Five Hills' progress towards meeting our recommendations, we used the relevant criteria from the original audit. Five Hills' management agreed with the criteria in the original audit.

We reviewed Five Hills' policy and procedures manuals, meal plans, and other relevant documents. We visited three long-term care facilities and conducted interviews with Five Hills' officials.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and Five Hills' actions up to that date. We found that Five Hills has made good progress. It has fully implemented seven of our recommendations and made progress on the remaining four.

3.1 Menus Comply with Canada's Food Guide

We recommended that Five Hills Regional Health Authority confirm all long-term care facility menus comply with Canada's Food Guide. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In October 2014, Five Hills implemented a process to ensure compliance of long-term care menus with Canada's Food Guide. A registered dietitian is responsible for reviewing the menus to confirm their compliance with Canada's Food Guide, providing management with detailed reports outlining the findings of the reviews, and providing recommendations to improve the nutritional value of the menus.

During our review, we found that all of its long-term care facility menus were reviewed by a registered dietician to confirm their compliance with Canada's Food Guide.

3.2 Review of Manual Underway

We recommended that Five Hills Regional Health Authority review and update its Nutrition and Food Services Policy and Procedures Manual. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Partially Implemented

Five Hills is currently reviewing and updating its *Nutrition and Food Services Policy and Procedures Manual*. Management indicated that Five Hills expects this review to be completed by June 2015.

3.3 Standard System to Track Dietary Needs in Place

We recommended that Five Hills Regional Health Authority implement a standard system of tracking individual residents' dietary needs and changes to those needs. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In October 2014, Five Hills implemented a process to consistently track residents' individual dietary needs and any changes to those needs. During our review, we noted that individual dietary needs were identified and tracked in a card filing system in larger facilities and a binder system in smaller facilities. Staff (e.g., nurses, dietitians) completed a diet change form including the date of the diet order change, along with the initials of the person making the change. The forms were provided to kitchen staff to make the dietary changes and included in the resident dietary needs binder or card filing system.

3.4 Guidance Developed for the Review of Dietary Needs of Residents

We recommended that Five Hills Regional Health Authority develop guidance for when a registered dietitian should review dietary needs of residents. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

Five Hills has developed guidance for when a registered dietitian is to review dietary needs of residents. The guidance requires nursing staff to complete a nutritional assessment on new residents to assess their nutritional status (i.e., normal nutrition, at risk of malnutrition, or malnourished). A registered dietitian does a complete assessment for any resident who is flagged as at risk of malnutrition or malnourished.

During our review, staff indicated that each resident in each facility had a nutritional assessment completed. We found that a registered dietitian had visited the long-term care facilities every month or two to update the assessments as necessary.

3.5 Food Cost Monitored for All Long-Term Care Homes

We recommended that Five Hills Regional Health Authority obtain annual average food cost per day information from its affiliates to confirm that a reasonable amount is being spent on food for residents of long-term care homes. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

Five Hills monitors food costs per resident at all of its long-term care homes. Every six months, Five Hills obtains reports of actual revenue and expenses from the dietary departments of its seven owned facilities and three affiliates. This allows Five Hills to confirm that a reasonable amount is being spent on food for residents in all of its long-term care homes.

During our review, we reviewed a report that had information about each facility's average food cost per day.

3.6 All Modified Menus Need to be Reviewed

We recommended that Five Hills Regional Health Authority have modified menus regularly reviewed by a registered dietitian to confirm that meals served met nutritional standards. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Partially Implemented

In 2013, Five Hills implemented a process that requires each facility to document menu substitutions on a substitution list. This list is then submitted on a monthly basis to a registered dietitian for review. If inappropriate substitutions are identified by the dietitian, the dietitian discusses the issue with the responsible cook. Management also reminded staff to adhere to the regional menus and that if changes were required, substitutions must be offered from the same food group (e.g., fruit for a fruit). This new process helps ensure that residents' nutritional requirements are met.

During our review, we found all but one facility (an affiliate) submitted the substitution list to the dietitian as required. As substitutions at one facility were not reviewed by a dietitian, there is a risk that the substitutions made may not meet the nutritional standards (i.e., Canada Food Guide).

3.7 Food Temperature Inconsistently Recorded

We recommended that Five Hills Regional Health Authority follow its policy and procedures to serve food at the appropriate temperature and texture. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Partially Implemented

Five Hills is not consistently following its policy for recording the temperature of food on the appropriate form before serving it to residents. We found that for one facility we visited, the required forms were inconsistently completed. For example, for that facility, we found that the temperature of food was not recorded for approximately half of the days in January 2015.

Consistently monitoring and tracking the temperature of food before it is served to residents is important. It helps to ensure that food is served at the appropriate temperature, and it reduces the risk of food borne illnesses due to bacteria and toxicants.

During our review, we found that Five Hills was following its policy for serving food in its appropriate texture. For example, all pureed food was served individually (i.e., the food was not inappropriately mixed together).

3.8 Timely Assistance Provided to Residents

We recommended that Five Hills Regional Health Authority provide timely assistance to residents to ensure all residents are served meals at the appropriate temperature. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In 2014, Five Hills provided training to staff on its dining experience policy including assisting residents during mealtime. During our review, we observed that residents at the facilities we visited were assisted in a timely manner.

3.9 Audits and Reviews Not Yet Completed as Required

We recommended that Five Hills Regional Health Authority follow its policy for quality improvement by conducting annual risk-based audits or reviews of food services. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Partially Implemented

In 2014, Five Hills completed some food service audits. For example, a plate audit was conducted to determine how rapidly food cools once it is plated. It reinforced the standard of only serving residents once they are ready for meal service (e.g., resident is seated). However, by March 2015, Five Hills had not conducted all audits or reviews as required in its *Nutrition and Food Services Policy and Procedures Manual* (e.g., tray service audits, annual quality assurance reports).

Conducting annual risk-based audits or reviews would allow Five Hills to monitor whether staff comply with policies and procedures. This would allow management to address, in a timely manner, any non-compliance issues.

As noted in **Section 3.2**, at March 2015, Five Hills was updating its *Nutrition and Food Services Policy and Procedures Manual*. Management indicated the quality assurance section of the manual setting out the requirements for audits and reviews was being updated.

3.10 Surveys Conducted Regularly

We recommended that Five Hills Regional Health Authority periodically survey residents and families of residents in all long-term care homes about food services. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In the fall of 2013 and 2014, Five Hills conducted resident experience surveys on food services. The surveys sought input from residents on items such as the temperature of the food (e.g., were the foods served hot). Five Hills plans to conduct these surveys on a yearly basis.

We found that the surveys were completed for all but one long-term care facility (an affiliated facility). Management at the affiliated facility noted that instead of formal surveys on food services, it captures information about its food services informally through regular discussions with residents and their families. While regular, informal discussions can obtain information about food services, use of a formal process better facilitates sharing the results of those discussions with the Region. Sharing this information would enable Five Hills to ensure it responds to concerns about food services in a timely manner.

3.11 Complaints Procedures Developed

We recommended that Five Hills Regional Health Authority implement procedures to document, monitor, and address complaints about long-term care food services from residents and their families in all long-term care homes. (2012 Report – Volume 2; Public Accounts Committee agreement February 12, 2015)

Status – Implemented

In February 2015, Five Hills implemented procedures to document, follow up, and monitor food services complaints. It provided each long-term care facility with a standard form to record all concerns and complaints regarding food services (e.g., temperature, quality, presentation). Staff are now required to address the complaint immediately and record the actions taken.

On a quarterly basis, beginning in May 2015, the completed forms are to be sent to the Regional Director for analysis and development of any action plans to improve the food service, as necessary.

Chapter 23
Health—Preventing Diabetes-Related Health Complications

1.0 MAIN POINTS

The Ministry of Health (Ministry) is responsible for ensuring people with chronic disease, such as diabetes, receive appropriate care. In 2012, we reported that the Ministry did not have effective strategies for preventing diabetes-related health complications and made 12 recommendations.

By February 2015, the Ministry had implemented a program to educate and encourage the use of best practices by healthcare providers in chronic disease management. It had established a method for assessing physician activities in monitoring people with diabetes. Also, the Ministry had goals and set strategies for monitoring management of diabetes-related health complications and gave direction to healthcare providers and regional health authorities (RHAs) about those goals and targets. In addition, the Ministry had begun collecting health service delivery information for patients and physicians.

However, more work remains. The Ministry does not monitor or analyze the collected information to identify gaps in service delivery by physicians or RHAs. Also, it does not collect or analyze information on provincial spending for the treatment of chronic diseases to determine if resources are appropriately allocated. It must do so to enable it to report publicly on the effectiveness of its strategies.

2.0 INTRODUCTION

In our *2012 Report – Volume 2*, Chapter 32, we concluded that, for the year ended March 31, 2012, the Ministry of Health did not have effective strategies for preventing diabetes-related health complications. We made 12 recommendations.

This chapter describes the results of our first follow-up of the Ministry's progress towards addressing our recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

We interviewed Ministry staff, and examined quality improvement plans related to chronic disease management along with other relevant documents of the Ministry and two RHAs (Saskatoon and Kelsey Trail).

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2015, and the Ministry's actions up to that date. We found that the Ministry has implemented four recommendations. More work is needed to fully implement the remaining eight recommendations.

3.1 Actionable Work Plan Implemented

We recommended that the Ministry of Health implement an actionable work plan relating to chronic disease management including diabetes and prevention of diabetes-related health complications and provide guidance for regional health authorities. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

In 2013, the Ministry partnered with the Saskatchewan Medical Association and eHealth Saskatchewan (eHealth) to develop the Chronic Disease Management – Quality Improvement Program (CDM-QIP). The Ministry, the Saskatchewan Medical Association and eHealth have developed and implemented the CDM-QIP to encourage the use of and educate healthcare providers about best practices in chronic disease[1] care. The CDM-QIP includes tools and supports for physicians and other chronic disease management healthcare providers to guide clinical practice, along with actions, responsible personnel, and timelines for the program. The CDM-QIP is being phased in over time; the diabetes and coronary heart disease components were implemented in 2013-14.

The Ministry also asks physicians and healthcare providers to submit data on health service delivery to patients with chronic diseases using the CDM-QIP.

The Ministry, through its target of a "30% decrease in hospital utilization related to six chronic conditions by March 31, 2017," has directed all RHAs to support people living with chronic conditions so they can experience better health.[2] The RHAs are also asked to support primary healthcare teams in adopting CDM-QIP, and directed to update and implement their primary healthcare plans with actions to integrate chronic disease management services with primary health care. As required, the RHAs submitted quarterly reports including key actions taken, milestones achieved, successes, challenges, standard measures and reportable metrics from identified targets.

3.2 Goals, Objectives, Performance Indicators and Targets Set

We recommended that the Ministry of Health set goals, objectives, performance indicators and targets to manage diabetes and prevent diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

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[1] CDM-QIP initially focuses on six chronic conditions: diabetes, coronary artery disease, congestive heart failure, chronic obstructive pulmonary disease, asthma and depression.

[2] Ministry of Health Accountability Documents 2014-15.

The Ministry has set, in its 2014-15 strategic plan, goals and measurable targets designed to help people self-manage their diabetes and prevent diabetes-related health complications.

The Ministry's goals for the CDM-QIP include the following:

- Improve identification, continuity and quality of care for people living with chronic conditions
- Encourage and support physicians and other healthcare providers to implement best practices (e.g., flow sheets[3] and clinical best practice guidelines)
- Leverage Saskatchewan's health information system to better meet the needs of residents and healthcare providers (e.g., electronic medical records (EMR) and the eHR Viewer[4])

The Ministry's objective is to ensure that people living with chronic conditions experience better health. Its targets related to this are:

- 30% decrease in hospital utilization related to six chronic conditions, by March 31, 2017
- 80% of patients with any of six chronic conditions receive best practice care as evidenced by the completion of provincial flow sheets available through approved EMRs and the eHR Viewer, by March 31, 2020

The Ministry's primary measure for this will be the hospitalization rates for six chronic conditions.

3.3 Processes for Monitoring Provision of and Access to Services Being Developed

We recommended that the Ministry of Health establish processes to monitor that people with diabetes receive appropriate services to reduce their risk of developing diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

We recommended that the Ministry of Health establish processes to monitor that people with diabetes have access to appropriate services in the province. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

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[3] A flow sheet is a paper or electronic form that records all important data regarding a patient's condition. The flow sheet serves as a reminder for care and whether care expectations have been met. www.aafp.org (28 March 2015).

[4] The eHR Viewer is a secure website for Saskatchewan healthcare providers to access patient information regardless of where an individual presents for care. www.ehealthsask.ca (22 April 2015).

We recommended that the Ministry of Health work with the Saskatchewan Medical Association to establish a method for assessing physician activities in monitoring people with diabetes. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

At February 2015, the Ministry was collecting statistical information and developing analytical measures on patients receiving best practice care (see later discussion in **Section 3.6**). For example, the Ministry had set a target for 20,000 chronic disease patients who would receive optimal care via the CDM-QIP tools by March 31, 2015. At February 2015, the Ministry's records showed that 23,400 patients with four chronic diseases,[5] including 16,700 people with diabetes, receive CDM-QIP services. However, it does not collect comprehensive data on the number of people with six chronic conditions to monitor its progress towards meeting its goal that 80% of patients receive best practice care.

The Ministry also tracked the number of physicians who have integrated the CDM-QIP into their practices. At February 2015, the Ministry reported that over 600 family physicians[6] were enrolled in CDM-QIP but fewer than half of those were actively using the CDM-QIP tools and submitting data.

Management indicated that clinical indicator data[7] is collected at the patient and physician's practice level. eHealth has established a process to collect and maintain this information submitted by physicians and healthcare providers. This information enables physicians who actively use the CDM-QIP to self-monitor the services they provide, and identify improvements in patient outcomes. Physicians can also use this information to help ensure they deliver consistent service across their practice. Early detection by these indicators and appropriate management of potential issues reduces the risk of developing serious health complications from a chronic disease.

Health services for people with diabetes are typically delivered by individual physicians, primary healthcare teams, and staff at RHA chronic disease management branches. The Ministry collects information on services provided to individual patients, primarily by physicians and primary healthcare teams. The Ministry also monitors and reports on improvements in patient access to a family physician or primary healthcare team as their usual provider of care.

The Ministry stated it is in the early stages of collecting and analyzing data to assess the alignment of physician-provided care with best practice (refer to **Section 3.7**).

Other programs such as educational, exercise or nutritional programs may be delivered by RHA chronic disease management branches. The RHAs' websites provide information to patients on the services available in each region. Management indicated that all but one RHA, as part of their chronic disease management services, delivers the "LiveWell" chronic disease management program which provides some of the ancillary programs (education and nutrition). Additionally, the Ministry is developing a Lower Extremity Wound clinical pathway[8] to guide treatment and educate healthcare providers on one serious complication of diabetes.

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[5] The Ministry currently collects information on diabetes, coronary artery disease, congestive heart failure and chronic obstructive pulmonary disease. It plans to add CDM-QIP for asthma and depression in 2015.

[6] Ministry of Health, *Medical Services Branch Annual Statistical Report 2013-14* reports there were 860 active family physicians in Saskatchewan in 2014.

[7] Clinical indicator data has been developed for four chronic conditions. For example, the best practice indicators the Ministry has chosen to track for diabetes are blood pressure, smoking cessation advice, obesity/overweight screening, glycemic control, nephropathy screening, dilated eye exam, foot exam and peripheral neuropathy screening, full lipid profile screening, and depression/psychosocial screening.

By February 2015, the Ministry had not started to monitor what services were available in each of the 12 RHAs, and did not know if people with diabetes had access to similar services, or if gaps in service existed. Management indicated that the Ministry expects in 2015-16 to work with all RHAs to identify the resources and services available.

3.4 Information Needed to Assess Reasonableness of Resource Allocations Provincially

We recommended that the Ministry of Health implement processes to accumulate, analyze and monitor provincial spending information on people with diabetes, and on diabetes-related complication prevention programs to assess the reasonableness of its resource allocations. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Not Implemented

The Ministry collects some information on direct costs attributed to diabetes including medications, insulin pump program, certain hospital costs, and provincial education/resources. Management indicated that the Ministry can estimate some costs including hospitalizations, the renal program, RHA staffing and programming. Management also informed us that the Ministry expects to start assessing resource allocations on provincially-delivered programs in the near future.

Without this information, the Ministry cannot assess the reasonableness of its resource allocations.

3.5 Regional Plans Reviewed but Programs Not Assessed for Alignment with Ministry Strategies

We recommended that the Ministry of Health work with regional health authorities to ensure resources on a regional basis are effectively deployed to manage diabetes and diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Not Implemented

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[8] A Clinical Pathway is a multi-disciplinary tool based on evidence-based practice for a specific group of patients with a predictable clinical course, in which the different tasks (interventions) by the professionals involved in the patient's care are defined, optimized and sequenced. The Lower Extremity Wound clinical pathway outlines the protocols for treating chronic wounds or wounds that do not heal, such as leg or foot sores caused by diabetes.

We recommended that the Ministry of Health review regional health authorities' Primary Health Care plans and programs to ensure they contain appropriate actions and align with the Ministry's strategies relating to chronic disease management including diabetes management and prevention of diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

By February 2015, the Ministry had started to address these recommendations.

The Ministry communicated its objectives and targets for chronic disease management to RHAs in its 2014-15 Accountability Documents. In 2014-15, RHAs provided the Ministry with their primary healthcare plans, including some actions related to chronic disease management, and with mid-year progress reports on their objectives. Management indicated that the Ministry's primary health service consultants review the primary healthcare plans and give feedback to the RHAs. Because these consultants did not document their review or the feedback they provided, we could not assess if the Ministry ensured RHAs' actions aligned with the Ministry's strategies.

As previously described in **Section 3.3**, because the Ministry had not analyzed what services were available in the RHAs, it did not know whether RHAs' services aligned with the Ministry's strategies, or if gaps in service existed.

Without specific information and guidance on strategies and programs for diabetes and diabetes-related health complications, RHAs cannot know if their programs are designed correctly and consistently, reach the intended population, and are achieving desired outcomes.

3.6 Process to Gather Information on Care Implemented

We recommended that the Ministry of Health implement processes to gather sufficient information relating to people with diabetes and diabetes-related health complications to ensure they are receiving care consistent with provincial standards. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

The CDM-QIP includes tools such as flow sheets outlining the recommended services for each chronic disease based on best practice. Clinical experts developed the flow sheets, and the Ministry and the Saskatchewan Medical Association approved them. In addition, CDM-QIP includes links to clinical practice guidelines, and submission of and access to data for physicians and chronic disease management health providers.

As previously noted, eHealth developed and maintains the repository of CDM-QIP information submitted by physicians. Physicians can access clinical indicator information about their patients from the repository. They can also generate clinical and administrative reports to help care for their patients.

3.7 Collection of Information Underway

We recommended that the Ministry of Health collect and analyze information to assess whether services delivered by physicians and care providers are effective and if they provide needed services to people with diabetes to prevent diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

We recommended that the Ministry of Health collect and analyze information to assess the effectiveness of regional health authorities' programs to manage diabetes and the prevention of diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Not Implemented

At February 2015, management indicated that it was working with eHealth to address these recommendations. The Ministry was working with eHealth to develop a Health System Analytic Service. It expects this service to provide advanced data analytics and health intelligence reporting to support appropriate care and effective system management. eHealth was working on:

- Establishing a repository including metadata[9] and a data catalog along with a process to maintain and expand the repository
- Building the foundation to provide Health System Analytics Services to enable accurate, centralized and timely access to support decision-making for key clients
- Establishing a comprehensive and transparent governance structure to support evidence-based decision making for information analytics and health/business intelligence

Management indicated the Ministry plans to seek permission from the Health Information Privacy Commissioner to use the CDM-QIP data in the repository for secondary purposes (such as monitoring, analysis and reporting). Once it receives permission, the Ministry plans to analyze data in the repository to assess the effectiveness of services physicians, healthcare providers and RHAs deliver, and report provincial and comparative regional information.

With data on services delivered by physicians, healthcare providers and RHAs linked to patient outcomes, the Ministry may be able to identify patterns of good service delivery and gaps in service delivery. It may then be able to aid physicians, healthcare providers, and RHAs to provide better care and monitoring to reduce diabetes-related health complications.

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[9] Metadata in the repository describes how and when, and by whom, a particular set of data was collected.

3.8 Some Progress Reported on Strategies

We recommended that the Ministry of Health publicly report progress in implementing its strategies to manage chronic diseases separately identifying diabetes and prevention of diabetes-related health complications. (2012 Report – Volume 2; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

In its 2013-14 annual report, the Ministry communicated its five-year improvement targets and outcomes, and its progress on implementing the following strategies related to six chronic conditions including diabetes:

- By 2017, people living with chronic conditions will experience better health as indicated by a 30% decrease in hospital utilization related to six chronic conditions

  Progress: The Ministry established a baseline of 173.61 hospitalizations for the six chronic conditions for every 100,000 total hospitalizations.

- By 2017, 80% of patients are receiving care consistent with clinical practice guidelines for the six chronic conditions

  Progress: The Ministry identified clinical practice guidelines for diabetes, coronary artery disease, chronic obstructive pulmonary disease and congestive heart failure. It has begun tracking the use of the guidelines by active physicians.

Chapter 24
Parks, Culture and Sport—Provincial Parks Capital Asset Planning

1.0 MAIN POINTS

The Ministry of Parks, Culture and Sport (Ministry) is responsible for the provincial park system, including capital assets in provincial parks. In 2009, we reported that the Ministry needed to make several improvements to its capital asset planning.

At January 2015, we found the Ministry had taken some steps to address our 2009 recommendations by continuing implementation of its new capital asset management approach, supported by a new computer system. The Ministry has procured a computerized enterprise asset management system which is expected to allow data to be collected and analyzed to assess usage patterns on the life span of capital assets, and also assist in modelling maintenance scenarios and estimating life-cycle costs. The Ministry expects the system to be fully operational in 2017. It expects this system, once operational, to address the outstanding recommendations.

2.0 INTRODUCTION

The Ministry is responsible for the provincial park system including the "administration, management, planning, development, and maintenance of all park land."[1] The provincial park system includes 140 recreation sites and parks, 24 protected areas, 17 historic parks and sites, and 15 wilderness and natural environment parks, covering a total of 1.4 million hectares.[2]

This chapter describes our second follow-up of management's actions on three recommendations we initially made in our *2009 Report – Volume 3*, Chapter 18. In that report, we concluded that the Ministry had an adequate long-term capital asset plan for the provincial park system except the capital asset plan did not include:

- Projected use of key capital assets and related risks
- Principles for operating and maintaining key capital assets
- Estimated life-cycle costs for key capital assets

In our *2011 Report – Volume 2*, Chapter 25, we reported that as of September 15, 2011, the Ministry had not implemented the three related recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

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[1] *The Parks Act*, section 13.
[2] www.pcs.gov.sk.ca/AboutSaskatchewanParks (29 January 2015).

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at January 31, 2015, our expectations (in italics), and the Ministry's actions up to that date.

3.1 Projected Future Use of Capital Assets Needed

We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) include in its capital asset plan for the provincial park system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels. (2009 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

Status – Partially Implemented

We expected a capital asset plan to describe the gap between the existing capital asset capacity and anticipated long-term needs. Better information about projected future demand would help decision-makers assess the resources required to upgrade capital assets in the provincial park system. It would also help the Ministry assess whether capital assets (such as docks and roadways) have adequate capacity for the long term.

By January 2015, the Ministry had identified some general trends (e.g., desire for larger campsites with enhanced services such as electrified sites) that it uses when considering expanding and upgrading park services. It reflected these in its *2015/16 Parks Capital Infrastructure Plan*. However, its Plan does not set out specific projections about the level of demand or its intentions to meet those demands.

In addition, in November 2014, the Ministry contracted for the development of a computerized enterprise asset management system (EAM system). The Ministry anticipates the EAM system will enable it to better consider future use trends for capital assets. It expects the EAM system will have the ability to allow the Ministry to analyze the impacts of use patterns on the life span of capital assets. The Ministry expects the EAM system to be available for use by fall 2015 and fully operational within two years thereafter.

3.2 Principles for Capital Asset Planning Needed

We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial park system. (2009 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

Status – Partially Implemented

We expected a capital asset plan to set out strategies to manage capital assets including how to operate and maintain assets at a reasonable cost and without unplanned service disruptions. When an agency does not maintain its capital assets, it shortens the useful life of the capital assets, increases operating costs over the long term, and increases the risk of service disruption due to the sudden failure of capital assets. Failure to maintain capital assets increases the risk of harm to visitors or staff (e.g., playgrounds, heavy equipment).

The Ministry has set out general principles in its *2015/16 Parks Capital Infrastructure Plan* (e.g., the protection and management of Saskatchewan's park lands). In conjunction with a review and identification of specific principles for operation and maintenance of Park assets, the Ministry plans to use the new EAM system to analyze both overall asset conditions and level of use. It also expects the EAM system to model the impacts of different maintenance scenarios. For example, if the Ministry prioritizes maintenance based on health and safety concerns, the system will determine how much that will cost, and the impact, given limited financial resources, on work needed for other assets. Analyzing different maintenance scenarios will help allow the Ministry to prioritize capital asset maintenance.

3.3 Financial Implications of Capital Asset Strategies Needed

We recommended that the Ministry of Parks, Culture and Sport (formerly Ministry of Tourism, Parks, Culture and Sport) include estimated life-cycle costs in its long-term capital asset plan for the provincial park system. (2009 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

Status – Partially Implemented

Better information about estimated life-cycle costs (e.g., costs to obtain, operate, maintain, and dispose of the asset) would help decision-makers assess the amount and timing of resources required to maintain capital assets in the provincial park system.

By January 2015, the Ministry had not included estimated life-cycle costs in its long-term capital asset plan for the provincial park system. It expects a function in the new EAM system will be the ability to capture determined life-cycle costs for all capital assets.

Chapter 25
Public Service Commission—Out-of-Scope Staffing

1.0 MAIN POINTS

The Public Service Commission (PSC) is responsible for ensuring appointments to the classified division are based on merit. PSC has delegated responsibility for staffing to certain ministry staff including the responsibility to keep sufficient documentation to demonstrate that staffing decisions were based on merit.

By March 15, 2015, PSC had developed procedures for reviewing the documentation kept by the hiring managers in the human resources files. It plans to implement these procedures by April 2015.

2.0 INTRODUCTION

PSC is the central human resource agency for the ministries within the Government of Saskatchewan. PSC works with ministries to provide support services such as recruitment and classification, payroll administration, and strategic support, including labour relations and organizational development services.[1]

In 2011, we assessed PSC's processes to ensure out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations. Our *2011 Report – Volume 1*, Chapter 12, concluded that for the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations. It included two recommendations. *Our 2012 Report – Volume 2*, Chapter 40, reported that up to August 31, 2012, PSC had implemented one recommendation.

This chapter reports the results of our second follow-up of the remaining recommendation.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate PSC's progress towards meeting our recommendation, we used the relevant criteria from the original audit. PSC agreed with the criteria in the original audit.

We reviewed documents provided by PSC, interviewed PSC personnel, and examined a sample of staffing files.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 15, 2015, our expectations (in italics), and PSC's actions up to that date.

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[1] Public Service Commission, *2013-14 Annual Report*, p. 4.

3.1 Documents Showing Merit Followed Up

We recommended that the Public Service Commission use a risk-based process to confirm that essential documentation related to staffing out-of-scope positions is kept. (2011 Report – Volume 1; Public Accounts Committee agreement April 10, 2013)

Status – Implemented

The Public Service Act, 1998 *(section 21[4]) (Act) requires that "appointments to positions in the classified division are to be made on the basis of merit." Under the Act, PSC is responsible for ensuring that the Government can demonstrate that appointments to the out-of-scope positions of the public service are based on merit. To demonstrate merit, we expected staffing files to have documentation that shows the successful candidate had greater merit than other candidates (e.g., assessment from interviews, ranking of candidates, references).*

Since 2010, PSC has delegated responsibility for recruitment and selection, including file documentation, to ministry staff (hiring managers) and outlined the ministries' accountability in client service agreements. In 2011, PSC set minimum documentation requirements for demonstrating that appointments are based on merit (e.g., results of interview or alternate assessment process and references) that it expects hiring managers to follow.

By March 15, 2015, PSC had developed procedures for reviewing the documentation kept by hiring managers in the human resources files. PSC plans to assess if hiring managers maintain sufficient documentation to support their decisions that hiring was based on merit. (e.g., document the results of the interview assessments, and reference checks). The Assistant Chair of PSC has approved these procedures for implementation by April 2015.

Chapter 26

Regina Qu'Appelle Regional Health Authority—Use of Surgical Facilities

1.0 MAIN POINTS

Regional health authorities (RHAs), under *The Regional Health Services Act*, are responsible for the planning, organization, delivery, and evaluation of health services within their respective health regions. As part of this mandate, RHAs are responsible for the provision of surgical services within their health regions.

In 2013, we assessed the effectiveness of Regina Qu'Appelle Regional Health Authority's (Regina Qu'Appelle) processes to support the efficient use of its surgical facilities. By March 31, 2015, Regina Qu'Appelle had implemented eight of the nine recommendations we made in 2013. Also, Regina Qu'Appelle was making good progress to meet the Ministry of Health's target of delivering all surgeries within three months.

2.0 INTRODUCTION

In our *2013 Report – Volume 1*, Chapter 20, we concluded Regina Qu'Appelle Regional Health Authority did not have effective processes to support the efficient use of surgical facilities. We made nine recommendations.

This chapter describes the results of our first follow-up to assess Regina Qu'Appelle's progress towards addressing our recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Regina Qu'Appelle's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Regina Qu'Appelle's management agreed with the criteria in the original audit.

We interviewed Regina Qu'Appelle staff, and reviewed Regina Qu'Appelle's policies and procedures, Surgical Executive Committee[1] minutes, and other relevant documents.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and Regina Qu'Appelle's actions up to that date. We found that Regina Qu'Appelle has implemented eight recommendations and needs to do more work to fully implement the remaining one recommendation.

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[1] Regina Qu'Appelle's Surgical Executive Committee consists of senior management (vice presidents, executive directors, staff surgeons) of the Region. Senior management from the Ministry of Health also periodically attend.

According to Regina Qu'Appelle's statistics, it has made a significant improvement in the timeliness of surgeries. For example, in 2014-15, 98.9% of the patients requiring surgeries received their surgery within six months, whereas in 2012-13, 78.0% of patients received their surgery in six months. Since 2012-13, the Ministry of Health has had a new target that all patients should receive their surgery within three months. In 2014-15, 87.4% of the patients received their surgery within three months.

3.1 Standards and Guidelines for the Use of Surgical Facilities in Place

We recommended that Regina Qu'Appelle Regional Health Authority establish and approve standards for the use of surgical facilities. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

Since our 2013 audit, Regina Qu'Appelle has developed standards for the use of surgical facilities. For example, standards are now in place for patient screening and prioritization, and expected capacity and usage of surgical facilities.

Senior management and the Surgical Executive Committee approved these standards. They also approved the methodology for allocating surgical time and facilities to surgeons.

We recommended that Regina Qu'Appelle Regional Health Authority develop and approve clear policies and guidance for allocation of time and surgical facilities to physicians who provide surgical services. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

In March 2015, Regina Qu'Appelle was using external consultants to analyze average surgical wait times in the Region by type of surgery, and the related wait list for each surgeon[2] in the Region. Starting in March 2015, to manage each surgeon's wait list, the consultants allocated annual blocks of Operating Room (OR) time to these surgeons or surgical groups based on an approved methodology.

Regina Qu'Appelle management gave external consultants information (e.g., patient wait lists, standard hours of operation of surgical facilities, planned reductions in surgical services) to use to determine this annual allocation. The Surgical Executive Committee intends to review the allocation and wait list demand monthly to determine if any adjustments to the allocation are required.

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[2] Surgeons are physicians who have been granted privileges to perform surgery in the Region's hospitals.

We recommended that Regina Qu'Appelle Regional Health Authority develop and approve clear policies and guidance for scheduling time and surgical facilities for individual patients receiving surgeries. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

Regina Qu'Appelle uses a two-step process for allocating time and usage of surgical facilities, and for developing the daily schedule (daily slate).

- The allocation (which is the master allotment of surgical facility time and location for surgeons and type of surgery) is done through the external consultants, as noted previously.
- The daily slate is the process of scheduling individual surgeries within the surgeon's allocation. The daily slate is the responsibility of OR scheduling staff. OR scheduling staff contact patients, prioritized based on set criteria, to notify them of surgery dates.

Regina Qu'Appelle has developed policies related to operational requirements for surgical bookings, deferral and cancellation of patients, reprioritization of surgical patients, and requiring notice of unfilled OR time. Regina Qu'Appelle has also revised its Operating Room Business Rules, which outline procedures for scheduling, contacting patients, dealing with cancellations, communicating the daily slate, notifying of unfilled OR time, and reprioritizing of surgical bookings. The business rules also give guidance for consistent patient screening and prioritization, and availability and coordination of equipment and staff.

By March 2015, Regina Qu'Appelle had completed 31 projects using "Lean" to identify inefficiencies in the process to develop and modify the daily slate, and keep standard equipment and support staff available as required.

3.2 Measures Established but Targets Needed for the Efficient Use of Surgical Facilities

We recommended that Regina Qu'Appelle Regional Health Authority establish efficiency-focused performance measures and targets for assessing the use of surgical facilities. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Partially Implemented

Since 2013, Regina Qu'Appelle has established many efficiency-focused measures such as unplanned closures of surgical facilities, cancellations and postponements of surgeries (tracked by reason for the cancellation), comparison of actual to planned surgery durations, delayed start or late finishing of surgeries, and delays caused by late start of the first surgery of the day. Management, however, by March 31, 2015, had not set targets for improving the inefficiencies they now measure.

Some of the efficiency-focused reports are generated routinely; some are generated upon request. Regina Qu'Appelle is in the process of determining what reports to routinely generate, a standard time frame to generate the data, and what reports to prepare for the relevant stakeholders for action.

3.3 Standard Surgical Request Form Developed

We recommended that Regina Qu'Appelle Regional Health Authority work with surgeons to develop a standard surgical request form that surgeons must use. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

In 2013, Regina Qu'Appelle adopted the provincial standard surgical request form and since then has required all surgeons within the Region to use it. During our review, we found surgeons were using the standard provincial request form.

3.4 Formal Processes for Scheduling Daily Surgeries Established

We recommended that Regina Qu'Appelle Regional Health Authority establish formal processes for the composition, review, and approval of scheduling daily surgeries. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

A preliminary daily slate for each day of the following four weeks is distributed weekly to the OR manager, the day surgery manager, and the equipment resource technician. A shorter version is also provided to inpatient services to coordinate bed management. A surgeon-specific version is sent to each surgeon along with a copy of his or her wait list.

The actual daily slate for the next day is distributed daily at 11:00 a.m. to the OR scheduling coordinator for verification and approval. The actual daily slate is also distributed to each surgical facility's OR charge nurse and senior anesthesiologist for OR staffing allocations, and the equipment coordinator for equipment allocations. The daily slate is also sent to housekeeping for staffing allocations. Staff meet daily to discuss and agree to the daily slates. Staff also meet weekly to review actual versus planned performance.

3.5 System to Collect Information Related to the Efficient Use of Surgical Facilities Implemented

We recommended that Regina Qu'Appelle Regional Health Authority implement a system to collect all needed information related to the efficient use of surgical facilities. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

Management indicated that by March 2015, Regina Qu'Appelle had a Utilization Management Analyst who gathers information from the "Pathways" scheduling system and post-operative data repository. This analyst provides efficiency-focused information along with the volume-based historically collected information.

3.6 Efficiency-Focused Information Monitored

We recommended that Regina Qu'Appelle Regional Health Authority monitor efficiency-focused information about the use of surgical facilities. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

Every week, Regina Qu'Appelle monitored and reported some efficiency-focused information. Staff reviewed the information, and managers analyzed and assessed what could be improved to better serve patients.

For example, as described in **Section 3.2**, Regina Qu'Appelle identified that some surgeries were cancelled on short notice. Regina Qu'Appelle routinely tracked the number of cancelled surgeries, the cause of cancellation, and whether the cancelled time had been filled. In 2014-15, Regina Qu'Appelle had 5,325 hours of scheduled OR time cancelled for various reasons. It filled more than half of the cancelled time with other patients. Management indicated they continue to work with surgeons and staff to reduce underutilized surgical facilities.

3.7 Issues Identified and Actions Taken

We recommended that Regina Qu'Appelle Regional Health Authority take timely action to address issues that negatively impact the efficient use of surgical facilities. (2013 Report – Volume 1; Public Accounts Committee agreement September 9, 2014)

Status – Implemented

Regina Qu'Appelle has identified issues that could negatively impact the efficient use of surgical facilities and took actions to address those issues. For example, management indicated they analyzed root causes for cancelled surgeries weekly to reduce the unplanned underutilization of surgical facilities.

Chapter 27
Saskatchewan Housing Corporation—Long-Term Capital Planning

1.0 MAIN POINTS

In this chapter, we report that Saskatchewan Housing Corporation (SHC) has addressed the recommendation we made in our *2004 Report – Volume 1* regarding long-term capital asset planning for its housing portfolio. By March 2015, SHC had put into place a new computer system that contains the key information related to its capital asset plan.

2.0 INTRODUCTION

At March 2015, SHC owned approximately 18,000 housing units located throughout the province. To sustain this portfolio over the long term, SHC must have a good capital asset plan.

Our *2004 Report – Volume 1*, Chapter 15, concluded that SHC's capital asset plan was adequate for decision making except that it did not include how SHC expected to determine and measure how well it sustained its housing portfolio over the long term. We made one recommendation. This chapter reports the results of our fourth follow-up of the recommendation we made in 2004.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SHC's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SHC's management agreed with the criteria in the original audit.

We reviewed various capital asset reports and other relevant documents. We also conducted interviews with SHC officials.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and SHC's actions up to that date. We found that SHC has implemented the recommendation.

3.1 Capital Asset Plan in Place

We recommended that SHC's capital asset plan show:

1. The specific measures SHC would use to determine appropriate size, mix, and condition of the housing portfolio (i.e., performance measures)
2. The starting point of each measure (i.e., baseline), and
3. What SHC expects to achieve with the housing portfolio and by when (i.e., targets) (2004 Report – Volume 1; Public Accounts Committee agreement September 28, 2004)

Status – Implemented

In June 2013, SHC entered into a contract with a capital asset consultant for the use of an asset management software system. By December 31, 2014, SHC had collected and entered information on its housing units into the system. The information and the functionality of this system forms its capital asset plan. This system allows SHC to project future component replacement costs to better predict future budget requirements.

SHC, through this system, has set specific measures for each housing unit such as the location, size, type and other significant components of the units (e.g., installation date, useful life). SHC also measures the condition of each unit and the portfolio as a whole based on industry standards (i.e., asset condition is good, fair, poor, or critical) and the total replacement cost.

Upon implementation of the new system, SHC established starting point information (i.e., baseline) related to the overall condition of its portfolio and determined the estimated cost to replace needed components. For example, as of December 2014, SHC estimated $300 million of required component replacements. Over one-half of this amount is related to non-critical work such as interior renovations (e.g., cabinets, countertops).

SHC is using the baseline information established in the system. It plans to maintain the portfolio based on industry standards.

Chapter 28
Saskatchewan Liquor and Gaming Authority—Encouraging Responsible Use of Beverage Alcohol

1.0 MAIN POINTS

By February 2015, the Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) implemented the recommendation we made in our *2006 Report – Volume 1* to develop performance measures and targets to evaluate its program to encourage the responsible use of beverage alcohol.

Liquor & Gaming included performance measures and targets in its *Responsible Use Strategic Plan* and reported on its progress towards achieving those targets.

2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997* (Act), Liquor & Gaming is responsible for the distribution, control, and regulation of liquor in Saskatchewan. The Act also authorizes Liquor & Gaming to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption.

In 2006, we assessed Liquor & Gaming's processes to encourage the responsible use of beverage alcohol. Our *2006 Report – Volume 1*, Chapter 7, concluded that Liquor & Gaming had adequate processes to encourage responsible use of beverage alcohol except it needed to assign responsibility, prepare a complete plan, and continue to develop performance measures and targets to evaluate its performance. We made three recommendations.

By September 2011, Liquor & Gaming had implemented two recommendations (formally assign responsibility for encouraging responsible use of beverage alcohol and prepare a complete social responsibility plan), but had not fully implemented our recommendation to research and develop performance measures and targets.[1] This recommendation remained outstanding at the conclusion of our last follow-up completed in September 2013.[2]

This chapter describes our fourth follow-up of management's actions on a recommendation we originally made in 2006.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Liquor & Gaming's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Liquor & Gaming's management agreed with the criteria in the original audit.

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[1] *2011 Report – Volume 2*, Chapter 19A (p. 392-393).

[2] *2013 Report – Volume 2*, Chapter 46 (p. 315-316).

Our audit approach primarily included discussions with management and review of Liquor & Gaming's most recently completed *Responsible Use Strategic Plan* and status update.

3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at February 28, 2015, and Liquor & Gaming's actions up to that date. We found that Liquor & Gaming implemented our recommendation.

3.1 Performance Targets Developed and Results Reported

We recommended that Saskatchewan Liquor and Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol. (2006 Report – Volume 1; Public Accounts Committee agreement October 31, 2006)

Status – Implemented

In 2014, Liquor & Gaming finalized its *Responsible Use Strategic Plan* (Plan). The Plan included Liquor & Gaming's overall objectives for encouraging the responsible use of beverage alcohol, action plans, performance measures, and targets. Management indicated that it was unable to identify outcome measures that would accurately measure the outcome of social responsibility initiatives aimed at modifying human behaviour due to the nature of these initiatives (e.g., information campaigns, training for beverage alcohol servers). As a result, it has selected performance measures and targets that focus on activities and outputs (e.g., amount of brochures distributed, number of individuals trained). Liquor & Gaming's targets clearly outlined what it planned to achieve and by when.

In January 2015, management prepared a report outlining, for each of its overall objectives, the planned actions, performance measures, targets, and actual results. Where targets were not met, the report outlines future action plans. Management plans to update the report to March 2015 and report results to Liquor & Gaming's Executive Committee early in the 2015-16 fiscal year.

Chapter 29
Saskatchewan Opportunities Corporation—Maintaining Facilities

1.0 MAIN POINTS

The Saskatchewan Opportunities Corporation (SOCO) (operating as Innovation Place) is responsible for managing specialized facilities used primarily by technology and service organizations, including 16 facilities at its technology park, Innovation Place, near the University of Saskatchewan campus. In 2012, we made three recommendations for SOCO regarding Innovation Place to strengthen its processes to maintain its facilities in a sustainable way.

By January 31, 2015, SOCO had identified and used performance measures to help measure the effectiveness of its facility maintenance activities. SOCO had also made progress towards implementing our remaining two recommendations, but still had work to do. SOCO needs to complete its individual asset management plans and then incorporate these into an overall corporate maintenance plan.

2.0 INTRODUCTION

In our *2012 Report – Volume 1*, Chapter 18, we concluded that SOCO had effective processes to maintain facilities at Innovation Place, Saskatoon in a sustainable way except in three areas. We made three recommendations. This chapter sets out the results of our follow up of SOCO's progress towards implementing these recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SOCO's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SOCO's management agreed with the criteria in the original audit.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the status of the recommendation at January 31, 2015, our expectations (in italics), and SOCO's actions up to that date. At January 2015, the Standing Committee on Crown and Central Agencies had not considered these recommendations. We found that SOCO had implemented one recommendation and made progress on the remaining two recommendations.

3.1 Information on Facilities to be Completed

We recommended that Saskatchewan Opportunities Corporation document, for each of its facilities, current condition, key risks, and remaining life span in the context of the facility's intended use. (2012 Report – Volume 1; Crown and Central Agencies Committee has not yet considered this recommendation)

Status – Partially Implemented

We expected each facility to have complete information about its condition to strengthen long-term planning and resource allocation processes. This information helps reduce the risk of unexpected costs and/or downtime for emergency maintenance.

By 2014, SOCO had assessed the facility condition and documented this in an asset management plan for each of its 16 facilities at Innovation Place. Management expects to review and update the plans for each facility at least every two years.

Each of these plans contain an overview of the purpose of the facility, information regarding the results of building condition assessment surveys performed, the facility's service history, and information on technical or aesthetic obsolescence. However, the plans do not include important documentation such as key risks for the facility, remaining lifespan for the identified service objective, rehabilitation or replacement activities required, and associated costs within the short and long term. Not documenting this information increases the risk of unexpected costs and/or downtime for emergency maintenance.

Management expects the finalized plans to include the above-noted information and intends to complete these plans by December 2015.

3.2 Corporate Maintenance Plan is Incomplete

We recommended that Saskatchewan Opportunities Corporation expand its corporate maintenance plan to include all its maintenance objectives and priority strategies for the short and long term. (2012 Report – Volume 1; Crown and Central Agencies Committee has not yet considered this recommendation)

Status – Partially Implemented

We expected SOCO to document short- and long-term priority strategies in its maintenance planning. This strengthens SOCO's ability to make trade-offs when resources are not available for all required maintenance.

SOCO collects information about the condition of each of its facilities and assesses it in its asset management plans, including maintenance planning for each facility. The asset management plans for facilities are expected to drive overall short- and long-term capital planning for SOCO. However, by January 2015, SOCO had not compiled the information from the asset management plans into its overall short- and long-term capital plans. Without complete short- and long-term capital plans, SOCO could make unsupported trade-offs when resources are not available for all required maintenance. Management expects to complete these once asset management plans for all of its facilities are finalized as noted in **Section 3.1**.

3.3 Performance Measures Identified

We recommended that Saskatchewan Opportunities Corporation identify and use performance measures to better monitor the effectiveness of its maintenance activities. (2012 Report – Volume 1; Crown and Central Agencies Committee has not yet considered this recommendation)

Status – Implemented

We expected SOCO to use performance measures that focus on effectiveness to help better monitor the results of maintenance. Tracking the effectiveness of maintenance helps management monitor progress towards short- and long-term maintenance objectives.

In 2014, SOCO created and used a new performance measure in its Performance Management Plan. This performance measure is called the "Building Condition Score". The Building Condition Score measures the overall condition of both the building and the related infrastructure within that building. This building condition score is linked to the asset management plans and is expected to help management prioritize its maintenance activities.

Chapter 30
SaskEnergy Incorporated—Securing its SCADA System

1.0 MAIN POINTS

SaskEnergy delivers natural gas to the people of Saskatchewan. To help it do so, it uses information technology assets like supervisory control and data acquisition (SCADA) systems to control and monitor the physical transportation of natural gas through pipelines. Strong security processes are needed to protect SCADA against risks associated with unintentional actions by staff or actions with malicious intent.

By March 20, 2015, SaskEnergy had implemented five of the seven recommendations we made in our 2013 audit of SaskEnergy's processes to secure its SCADA system. SaskEnergy needs to do more work to securely configure and monitor security of its SCADA system.

2.0 INTRODUCTION

In 2013, we assessed SaskEnergy's processes to secure its SCADA system. This chapter describes our follow-up of management's actions on the recommendations we made in our *2013 Report – Volume 1*, Chapter 19. In our report, we concluded that SaskEnergy did not have effective processes to secure its SCADA system used to control and monitor natural gas distribution. We made seven recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate SaskEnergy's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SaskEnergy's management agreed with the criteria in the original audit. We reviewed SaskEnergy's policies and procedures, plans, and reports and interviewed SaskEnergy staff. We also reviewed SaskEnergy's controls to secure its SCADA system, including computer patch levels, physical security, and access to the SCADA system.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Crown and Central Agencies agreed to the recommendation, the status of the recommendation at March 20, 2015, and SaskEnergy's actions up to that date. We found that SaskEnergy had implemented five recommendations and is working to address the remaining two.

3.1 Security Framework Improved

We recommended that SaskEnergy Incorporated complete a threat and risk assessment of its supervisory control and data acquisition system. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

SaskEnergy hired a consultant to help it carry out a threat and risk assessment for its SCADA system in early 2014. The assessment identified a number of risks and SaskEnergy developed plans to address those risks. SaskEnergy continues to work on implementing these security plans as described below.

We recommended that SaskEnergy Incorporated implement complete policies to protect the confidentiality, integrity, and availability of its supervisory control and data acquisition system based on a threat and risk assessment. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

SaskEnergy adopted a policy framework based on industry best practice (e.g., International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 62443). It used its policy framework and the results of its SCADA threat and risk assessment to create and update its SCADA security policies. For example, this included developing a SCADA security policy, SCADA incident management plan, change management policy, and an antivirus patch management policy. Management advised us that it plans to continue updating its policies with any changes that result from implementing its security plans.

3.2 Processes to Protect SCADA System from Unauthorized Access Progressing

We recommended that SaskEnergy Incorporated configure its supervisory control and data acquisition system network to protect it from security threats. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Partially Implemented

SaskEnergy's SCADA security plans included modifying the network architecture (e.g., how firewalls, encryption, and intrusion detection systems are used) and changing the configuration of network devices, servers, and workstations. SaskEnergy began implementing the most critical parts of the plans first. For example, it implemented a firewall for its SCADA network. However, as of March 20, 2015, it had not yet completed all network architecture and computer configuration changes required to effectively secure its SCADA system. It expects to complete this work in 2015.

We recommended that SaskEnergy Incorporated monitor the security of its supervisory control and data acquisition system. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Partially Implemented

SaskEnergy installed a new monitoring tool on its SCADA system in late 2014. This tool gathers information from various points within the SCADA network to enable SaskEnergy staff to monitor system security. During early 2015, SaskEnergy staff began to use the tool and attended training to expand their knowledge so that they can increase the use of this tool in the future. As SaskEnergy completes the implementation of changes to its network architecture and computer configurations, it plans to expand the use of this tool so that it can effectively conduct real-time security monitoring of its SCADA system.

We recommended that SaskEnergy Incorporated effectively restrict physical access to its facilities. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

We recommended that SaskEnergy Incorporated effectively restrict access to its supervisory control and data acquisition system. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

SaskEnergy improved restriction of physical access to its facilities and access to its SCADA system. It implemented certain controls such as a requirement to lock doors to all parts of its facilities during the day as well as at night, and to lock user accounts on computer systems when staff are not using the computers. It communicated these policies to its staff. It also added controls to prevent non-authorized use of the SCADA equipment (e.g., locked USB ports). In addition, SaskEnergy had plans to continue strengthening and automating its access controls to further reduce risk.

3.3 Business Continuity Plan Tested

We recommended that SaskEnergy Incorporated test its business continuity plan for its supervisory control and data acquisition system to verify its effectiveness. (2013 Report – Volume 1; Crown and Central Agencies Committee agreement March 12, 2014)

Status – Implemented

SaskEnergy developed processes for testing its business continuity plan annually in 2013. It tested and updated its plan in 2013 and 2014.

Chapter 31
Social Services—Placing Minister's Wards in Permanent Homes

1.0 MAIN POINTS

Since our 2013 audit of the Ministry of Social Services' processes to place Minister's wards in permanent homes (e.g., long-term homes and adoptive homes), the Ministry has made good progress in implementing our seven recommendations. At March 31, 2015, the Ministry had implemented four recommendations, and was working to implement the remaining three.

The Ministry needs to develop performance measures and targets for its adoption program and follow its established policy to place children on the adoption list within 120 days. Also, it needs to collect and analyze information related to the outcomes of its services to long-term wards and permanent wards in its care.

2.0 INTRODUCTION

Under *The Child and Family Services Act*, the Ministry of Social Services (Ministry) is responsible for planning the long-term development of permanent and long-term wards. This includes their placement in permanent homes that provide a safe and nurturing environment.

In our *2013 Report – Volume 1*, Chapter 14, we concluded that the Ministry had effective processes to place Minister's wards in permanent homes except for the following areas. At December 31, 2012, the Ministry needed to:

- Complete and approve policies and procedures for its adoption program including those for addressing complaints or appeals
- Follow its established policies and procedures to formally document the permanency plans in place for permanent wards and long-term wards
- Place children on the adoption list within 120 days as required by the Ministry's policies
- Set performance measures and targets for its adoption program
- Begin collecting and analyzing information related to the outcomes of its services for long-term wards and permanent wards in its care

We made seven recommendations. This chapter reports the results of our first follow-up of the Ministry's progress towards addressing these recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

We reviewed the Ministry's policies and procedure manuals and other relevant documents. We also examined a sample of case files of children in care for more than 18 months.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 31, 2015, and the Ministry's actions up to that date.

By March 2015, the Ministry had implemented four recommendations, was making progress towards implementing one other, and had made limited progress on addressing the remaining two.

3.1 Adoption Policy Manual Completed and Approved

We recommended that the Ministry of Social Services complete and approve the new adoption policy manual to guide staff on its adoption program for children who are permanent wards of the Minister. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

We recommended that the Ministry of Social Services implement a formal complaints and appeals mechanism for its Domestic Adoption Program. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

In July 2014, the Ministry completed and approved the revised *Adoption Services Manual*. This manual provides guidance to staff on assessment and decision-making processes as they relate to the Ministry's adoption program. It also includes a formal complaints and appeals mechanism for the Domestic Adoption Program. This provides prospective adoptive parents with an established complaints and appeals mechanism if they disagree with a Ministry decision or are unsatisfied with the services offered.

3.2 Development of Measures and Targets Underway

We recommended that the Ministry of Social Services develop performance measures and targets relating to the adoption program for its permanent wards. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Partially Implemented

The Ministry, through its quality assurance unit, carries out quality assurance reviews each year to monitor compliance with a number of its policies and standards, including permanency planning.

In 2014, the Ministry started to use these reviews to gather information that it expects will help it develop performance measures and targets related to the adoption program for its permanent wards. Starting in 2014, the quality assurance reviews have measured whether permanent wards are registered for adoption, and the timeliness of such registrations, and have assessed the Ministry's documentation outlining the rationale for not registering a child for adoption.

Management indicated that it expects to gather this information in its quality assurance reviews for a period of one year prior to developing measures and targets.

Setting performance measures and targets related to the adoption of permanent wards will allow the Ministry to evaluate the effectiveness of its adoption program.

3.3 Permanency Plans Documented

We recommended that the Ministry of Social Services consistently document the permanency plan for each child in care and place the plan in the child's case file. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

The Ministry requires that each child that has been in its care for more than 18 months cumulatively have a documented permanency plan. The Ministry expects its staff to use its children's assessment and development plan (a prescribed form) to document the assessment and planning according to the individual needs of the child. It also requires them to carry out Family Reunification Assessment as part of permanency planning.

For the children's case files we examined, we found that all of these files contained a completed children's assessment and development plan. Where required, a Family Reunification Assessment was included in the children's case file or the family services file.

3.4 Rationale for Decisions Documented

We recommended that the Ministry of Social Services clearly document the rationale for its decisions to seek permanent or long-term custody of children at the time of the decision. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Implemented

The Ministry expects staff to document the decisions made on permanent or long-term custody of children, and reasons for those decisions using required forms. Such documentation enables the Ministry to monitor whether its staff makes timely decisions in accordance with its policies.

In 90% of the children's case files we examined, we found evidence that the permanency plan recommendation (i.e., permanent or long-term custody) was clearly documented, along with the rationale for the decision. In the remaining 10% of the case files reviewed, the rationale for the decision was evident in the caseworker's notes even though it was not clearly documented on the required form.

3.5 Placement of Children on Adoption List Not Timely

We recommended that the Ministry of Social Services follow its established policy to place those children whose permanency plans includes adoption on the adoption list within 120 days. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Not Implemented

The Ministry has a policy that requires a caseworker to decide, within 120 days of a child becoming a permanent ward, whether to place the child on the adoption list or in long-term foster care.

From January 2013 to September 2014, we found that 85% of the children were not placed on the adoption list within 120 days. Delays ranged from 23 to 587 days after the required 120 days. For the case files we examined, we found the files did not document the reasons for such delays.

Placing children on the adoption list in a timely manner is important. Children are less likely to be adopted as they grow older. Not placing children on the adoption list in a timely manner could negatively impact the likelihood that older children find stable adoptive homes.

3.6 Collection and Analysis of Outcome Information Needed

We recommended that the Ministry of Social Services collect and analyze information related to the outcomes of its services to long-term wards and permanent wards in its care. (2013 Report – Volume 1; Public Accounts Committee agreement June 17, 2014)

Status – Not Implemented

In May 2014, the Ministry conducted a scan of practices in other jurisdictions regarding outcome-based indicators and measures. The Ministry indicated that it plans to review and analyze the information collected to help determine the next steps in monitoring its performance outcomes over the next year.

As noted in our past report, collecting and analyzing information related to the outcomes for children in the Ministry's care requires coordination with other Ministries (e.g., Ministry of Education, Ministry of Justice). In late 2014, the Ministry began working with other Ministries to collect information that will help them determine whether government programs help prepare youth for their future and identify ways to improve high school graduation rates.

Outcome-based information will allow the Ministry to determine whether its services for children in its care are meeting the children's best interests.

Chapter 32
University of Regina—Protecting Interests in Research

1.0 MAIN POINTS

Research is one of the core functions of the University of Regina (University). Research also plays a pivotal role in the University's ability to carry out its other core function, education, since a strong research program helps attract qualified professors, which in turn attracts students.

In 2013, we audited the University's processes to protect its interests (e.g., financial, reputational, ownership) as it fosters research and commercialization of research. By March 10, 2015, the University had made excellent progress in addressing the 26 recommendations resulting from that audit. It had implemented 13 recommendations and was actively working on clarifying expectations, further updating policies and procedures, and improving processes to protect research rights.

2.0 INTRODUCTION

This chapter reports the results of our follow-up of recommendations we made in our *2013 Report – Volume 1*, Chapter 15, about the effectiveness of the University's processes to protect its interests as it fosters research and commercialization of research. In that Report, we concluded that while the University of Regina had many structures and processes in place for protecting its interests (e.g., financial, reputational, ownership) as it fostered research and commercialization of research, these structures and processes could be improved. We made 26 recommendations.

To conduct this review engagement, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the University's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The University's management agreed with the criteria in the original audit.

We reviewed and assessed the information provided, discussed actions with key individuals, and tested certain processes where necessary.

3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation, the status of the recommendation at March 10, 2015, and the University's actions up to that date. By March 10, 2015, we found that the University had implemented 13 recommendations, and was working on the remaining 13 recommendations.

3.1 Research Oversight Improved

We recommended that the University of Regina assess whether its organizational structure is effective to support the achievement of its strategic research goals and make any necessary changes. (2013 Report – Volume 1 (p. 184); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

Effective January 2014, the University implemented a revised research organizational structure. The new structure creates a position for an Associate Vice-President (Academic and Research) to allow for effective communication between the academic (i.e., Deans) and research organizations of the University. We found the Vice-President (Research), Vice-President (Academic), and the Associate Vice-President (Academic and Research) met each month. The purpose of these meetings is to keep the University's academic and research streams informed about strategic research initiatives, major projects, and other ongoing issues.

We recommended that the University of Regina document in policy and enforce its requirement to centrally manage all research agreements to protect its interests in research. (2013 Report – Volume 1 (p. 185); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

Effective March 31, 2015, the University updated its Research Cost Recovery Policy. The updated Policy clarifies that the Office for Research, Innovation and Partnership (Research Office) is responsible for reviewing and negotiating the terms of all research agreements and centrally managing all research agreements. In March 2014, the Board of Governors approved the Delegation of Authority, Senior Executive Policy. This requires the Vice-President (Research) or delegates to sign all research-related agreements. In addition, we found that Financial Services of the University notifies the Research Office of transactions that may be research related.

3.2 Clarification of Expectations Progressing

We recommended that the Board of Governors of the University of Regina receive and review regular reports on the University's Strategic Research Plan. (2013 Report – Volume 1 (p. 186); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

Since spring 2014, the President has provided the Board of Governors with regular reports on the University's Strategic Research Plan as part of the President's update.

We found that the reports included updates on ongoing research initiatives on campus and existing performance measures (e.g., research funding).

We recommended that the University of Regina prepare action plans for review of the Board of Governors to support the University's strategic research direction. (2013 Report – Volume 1 (p. 186); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

In 2015, the University identified a set of action plans to assist with the realization of its research goals. It has also developed faculty research plans that align with the University's strategic research direction and provide a way for the University to monitor research that is ongoing in the various faculties across campus.

While the University has taken steps to prepare action plans supporting its strategic research direction, by March 10, 2015, it had not presented its action plans to the Board of Governors for its review. The University expects to do so during 2015-16.

We recommended that the University of Regina prepare more detailed performance measures and targets for approval by the Board of Governors to support measurement of progress towards the University's research goals. (2013 Report – Volume 1 (p. 186); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

In 2015, the University developed performance measures for each of the goals within the Strategic Research Plan. Examples of performance measures include the number of doctorate and masters degrees awarded, research dollars awarded, and the amount of campus space allocated to research. As of March 10, 2015, the Board had not reviewed and approved these measures.

By March 10, 2015, the University had not developed targets for each performance measure. The University expects the Board information items, to be prepared by the Vice-President (Research) beginning in May 2015, will incorporate this type of information.

We recommended that the University of Regina reassess its risks related to research and develop further mitigation strategies. (2013 Report – Volume 1 (p. 186); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

In January 2015, the University conducted interviews with key research stakeholders (i.e., Vice-President (Research), Associate Vice-President (Academic and Research), Director of the Research Office) to start a detailed assessment of research risks. It used this information to develop a research-specific risk assessment and management plan, which included identification of the top-10 research risks facing the University (e.g., financial mismanagement, stakeholder relations). While the University had a plan for how it intends to develop appropriate risk mitigation strategies, it had not finalized its strategies to mitigate the identified research-specific risks.

3.3 Updates to Policies and Procedures Progressing

Research Policies

We recommended that the University of Regina regularly review and update its research policies, educate staff about the policies, and have senior staff sign off on an annual basis that they have read and understand the policies. (2013 Report – Volume 1 (p. 187); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

We recommended that the University of Regina ensure that intellectual property disclosures are completed in accordance with policy and communicate this requirement to staff. (2013 Report – Volume 1 (p. 187); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

Since our 2013 audit, the University has reviewed and updated a number of research policies (e.g., Conflict of Interest and Conflict of Commitment, Research Cost Recovery) and is working to update the rest (e.g., Intellectual Property, Research Centres and Institutes). It expects to have the rest updated by the end of 2015-16.

In 2015, the University updated its Intellectual Property disclosure form and hired a Technology Transfer Officer in its Research Office. This officer is responsible for making sure staff complete intellectual property disclosures in accordance with policy.

The Research Office is responsible for enforcing compliance with research policies. As of March 10, 2015, the Research Office had updated deans and directors about changes in policies, via an email, and held one faculty workshop. It plans to make updated policies publicly available on its website, offer periodic workshops to educate staff about the policies, and update staff monthly about work in the Research Office to remind staff about policies.

Also, in 2015, the University developed a declaration form for senior staff to sign each year. The form requires staff to indicate, in writing, that they have read and understand the University-related research policies. Management advised us that it expects to require staff to complete these forms each year starting in the spring of 2015. The Office of the Vice-President (Research) plans to track the completion of these forms by staff.

We recommended that the University of Regina update, communicate to its academic and administrative staff, and enforce its Policy for the Recovery of the Indirect Costs of Research and Service Contracts. (2013 Report – Volume 1 (p. 190); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

The University updated its Research Cost Recovery Policy, effective March 31, 2015. The Policy is publicly available on the University's website. The University also communicated the updated Policy to staff via email. As noted previously, the Research Office is responsible for enforcing compliance with the Policy, and is positioned to do so through its role of negotiating and reviewing the terms of all research agreements.

We recommended that the Board of Governors of the University of Regina update its Policy on University of Regina Centres/Institutes to define the creation, classification, monitoring, and reporting requirements for institutes/centres. (2013 Report – Volume 1 (p. 190); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

In 2015, the University updated its Policy on University of Regina Centres/Institutes. The Policy sets out requirements for the creation and classification of centres and institutes. The Policy requires monitoring and annual reporting of centres and institutes but not interim reporting. Annual reporting may not be sufficient for large, complex centres and institutes or for those with past performance issues. As of March 2015, the University was considering how to incorporate interim reporting requirements within its policy.

Also, at March 10, 2015, the Board of Governors had not approved this Policy for implementation. Management advised us that it expects to seek Board approval in July 2015.

Intellectual Property Policies and Processes

We recommended that the University of Regina define and the Board of Governors approve what constitutes specialized resources for the purposes of the University's Intellectual Property Policy in order to protect the University's rights to intellectual property. (2013 Report – Volume 1 (p. 188); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

We recommended that once the University of Regina defines and the Board of Governors approves what constitutes specialized resources, the University ensure that the definition is consistently used and applied. (2013 Report – Volume 1 (p. 188); Public Accounts Committee agreement December 9, 2014)

Status – Not Implemented

In 2015, the University developed a Specialized Resources Criteria Guideline. The University expects this guideline to facilitate discussion among deans and academic staff members to result in clearly defining specialized resources. Because, as of March 10, 2015, the University had not yet formally defined specialized resources, it was not consistently used or applied.

We recommended that the University of Regina ensure it has the expertise to assess the commercialization potential of intellectual property. (2013 Report – Volume 1 (p. 188); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

In 2014, the Research Office hired staff with experience in commercialization. The University also documented a process to have a Commercialization Advisory Group review intellectual property proposals for alignment with the University's strategic interests and commercialization potential, and to determine the University's involvement in commercialization. This Group is to be comprised of individuals with expertise in commercialization.

We recommended that the University of Regina establish policies and procedures for evaluating when to pursue and when to discontinue commercialization efforts. (2013 Report – Volume 1 (p. 189); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

In 2015, the Research Office developed processes to assist researchers in developing business cases. Business cases are to explain the related technology, its marketability, whether it is patentable, and its relation to the University's strategic plan. In addition, in 2015, it documented its process for the Commercialization Advisory Group. The Group is to review intellectual property proposals before the University proceeds with commercialization of intellectual property.

Institutes/Centres

We recommended that the University of Regina take prompt action on Board of Governors' decisions regarding institutes/centres. (2013 Report – Volume 1 (p. 190); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

As described earlier, the University updated its Policy on University of Regina Centres/Institutes. The draft policy requires all institutes and centres to receive various levels of approval before being established, with the Board of Governors being the final stage of approval for all new centres/institutes. The University expects to provide the Board with the updated policy for its approval in the summer 2015.

Since our 2013 audit, the University has created one Type I Centre[1] (Collaborative Centre on Justice and Safety) and one Type II Centre[2] (Institute of Environmental Change and Society). The Board appropriately approved the Type I centre, and the Faculty of Science appropriately approved the Type II Centre. We found that the classification (i.e., type) of both centres appeared appropriate.

However, we also found that as of March 10, 2015, management had not completed the transition of the Clean Energy Technologies Institute – CETI (formerly the International Test Centre for CO2 Capture), into a Type I institute as approved by the Board in December 2011. That is, management had not established a budget, hired staff, and established governance or reporting structures to operationalize the new Institute as required by its governance documents (i.e., constitution). The Board did not receive interim reports about the delay in completion of this transition. As described earlier, the policy on centres and institutes should require interim reporting. The University was considering how to incorporate such requirements within its policy.

We recommended that the University of Regina review the classification and operations of all of its research institutes, assess their contribution to the University's strategic research goals, and take any necessary actions identified by the reviews. (2013 Report – Volume 1 (p. 193); Public Accounts Committee agreement December 9, 2014)

Status – Not Implemented

As of March 10, 2015, the University had not reviewed the classification and operations of its research institutes. The University postponed the review of its institutes until after it implements an updated Policy on University of Regina Centres and Institutes.

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[1] Type I Centres pursue areas of research that are of overall strategic importance to the University.

[2] Type II Centres bring together academic staff with a common interest in a specific research area or topic.

3.4 Signing Authority Updated and Enforced

We recommended that the University of Regina immediately confirm, document, and enforce its delegations to staff of research-related signing authority. (2013 Report – Volume 1 (p. 191); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

The University's Signing Authorization Policy delegates to the Vice-President (Research) the authority to sign research contracts, and to further delegate this authority to other staff.[3] In March 2014, the University augmented its Signing Authorization Policy with a revised Delegation of Authority, Senior Executive policy. This Policy designates authority to certain staff to act on behalf of certain Executive members, including the Vice-President (Research), in their absence. For example, the Associate Vice-President (Academic and Research) may sign research-related contracts in the absence of the Vice-President (Research). For the five research-related contracts we examined, we found that the University complied with its research-related signing authority policies.

At March 2015, the University was also developing an Approval Authorities and Execution of Documents policy. It expects this Policy to document authority to enter into commitments, including expenditure approval limits by position. Management advised us that it plans to provide this policy to the Board for approval in fall 2015. We found the approval levels for research-related contracts or grants in this draft policy were similar to current practice except that an upper limit will be imposed on the Vice-President (Research) above which approval of either the President or Board of Governors will be needed.

3.5 Processes to Protect Rights Progressing

We recommended that the University of Regina centrally maintain complete and up-to-date information about all of its research initiatives and intellectual property (e.g., grants, contracts, partnership agreements, patents). (2013 Report – Volume 1 (p. 192); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

The Research Office is responsible for centrally maintaining complete and up-to-date information about all of the University's research initiatives and intellectual property. It does this by reviewing and negotiating the terms of all research agreements, and by managing all patents and new intellectual property disclosures. To ensure it is aware of all research agreements, it communicated this requirement across the University in 2014 and set up a process for Financial Services to notify it of new research funding that may indicate a new research agreement. The Research Office also has processes to annually confirm the existence and completeness of information about the University's centres and institutes with the Vice-President (Research) and the faculties.

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[3] In October 2014, the Vice-President (Research) further delegated authority to the Director of the Research Office for signing research contracts or grants up to $100,000.

We recommended that the University of Regina ensure that all staff follow its policy requiring declaration, at least annually, of any conflicts of interest or conflicts of external commitment. (2013 Report – Volume 1 (p. 192); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

We recommended that the University of Regina take action when it identifies conflicts of interest or conflicts of external commitment. (2013 Report – Volume 1 (p. 193); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

In 2014, the University advised staff that they must complete its conflict-of-interest and conflict-of-commitment declaration forms at least annually by set deadlines (e.g., June 2014 for out-of-scope staff, June 2015 for Administrative Professional Technical union employees). If a conflict exists, the forms require the staff and supervisor to ensure action is taken to mitigate the identified conflict. The Human Resources Department is responsible for tracking staff's completion of the declaration forms and follow up if the forms are not submitted on time.

We found that 41% of staff who were required to complete declaration forms had not done so by March 10, 2015. Also, 2 out of 10 declaration forms we examined did not contain evidence of review by the staff's supervisors; staff had not declared any conflicts on these forms. For the 10 declaration forms tested, we found declared conflicts, if any, were appropriately mitigated.

The University needs to ensure that all staff complete and their supervisors appropriately review the declaration forms, and appropriately mitigate conflicts if any are identified.

We recommended that the University of Regina regularly evaluate external directorships held by staff. (2013 Report – Volume 1 (p. 193); Public Accounts Committee agreement December 9, 2014)

Status – Partially Implemented

Although the University has required staff to document any external directorships held, as previously noted it has not received conflict-of-interest and conflict-of-commitment declaration forms from all staff. Without this information, it cannot evaluate the suitability of all external directorships held by staff. The two external directorships declared by staff that we tested included appropriate plans to mitigate any risks related to these external directorships.

We recommended that the University of Regina follow its policy to have external boards pass resolutions allowing University-nominated directors to share information with the University. Where such resolutions cannot be obtained, the University should consider not naming directors to these external boards. (2013 Report – Volume 1 (p. 192); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

As of March 10, 2015, all external boards with University-nominated directors have provided the University with acknowledgements indicating that confidential information pertaining to the external entities may be disclosed to the University by the University-appointees on a need-to-know basis, provided that the University agrees to hold such information in confidence.

3.6 Agreements Strengthened

We recommended that the University of Regina strengthen its research agreements by including all relevant requirements to protect both researcher and University interests. (2013 Report – Volume 1 (p. 193); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

In January 2015, the University analyzed and revised its research agreement template to include relevant requirements to protect both researcher and University interests. The University created a research agreement review checklist. It plans to use this checklist when entering into new agreements, including funding agreements, to confirm the agreement includes all relevant requirements. At March 2015, although the University had not yet finalized the template or checklist, we found that the five agreements we reviewed included the relevant requirements identified in the checklist.

3.7 Review of Patents Completed

We recommended that the University of Regina complete its evaluation of patents to support its decision to continue maintaining patents. (2013 Report – Volume 1 (p. 194); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

The University hired a Technology Transfer Officer to help coordinate the evaluation of its patents. The officer evaluated the intellectual property portfolio to determine which patents the University wanted to maintain, further evaluate, or assign back to the researcher. The University also plans to evaluate the patents periodically, and has set the dates for the next evaluations.

3.8 Research Interests Monitored

We recommended that the University of Regina review and update research reporting requirements to ensure both senior management and the Board of Governors receive and review sufficient information to assess the success of the University's research strategies. (2013 Report – Volume 1 (p. 195); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

The University has taken action to provide management and the Board with information to assess the success of the University's research strategies.

As described in **Section 3.2**, the President gives the Board regular reports on the University's Strategic Research Plan. Also, during 2015-16, management expects to give the Board, for its approval, action plans and performance measures that support the University's strategic research direction.

To remain informed about ongoing research initiatives throughout the University, the Vice-President (Research):

- Attends bi-monthly meetings of all Associate Deans
- Meets with the Director of the Research Office on a weekly basis to receive updates regarding research across campus (e.g., fulfillment of research agreements, performance of patents)
- Plans to report significant issues about the University's research initiative to the University Executive Team and the Board of Governors, as necessary

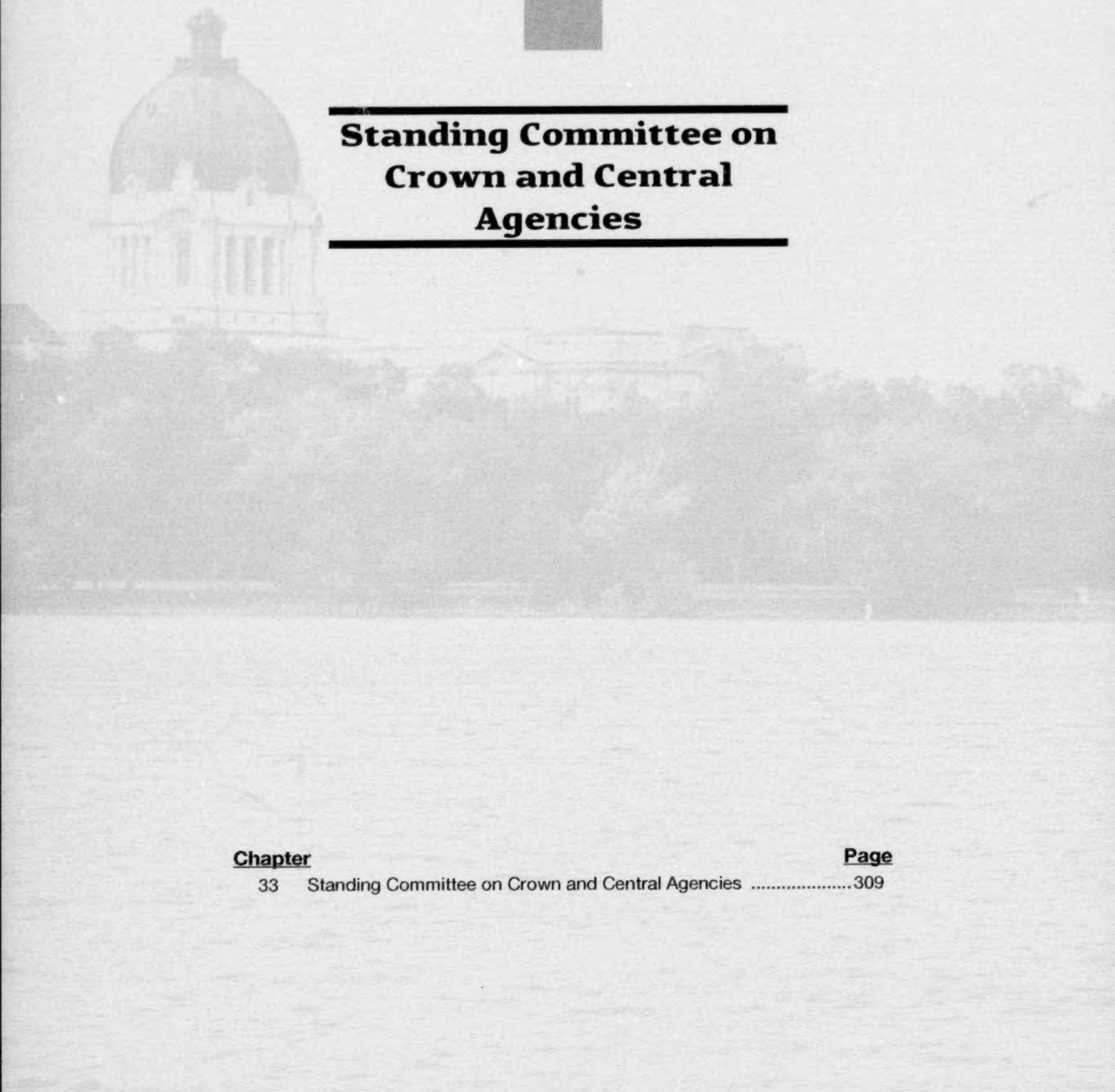
We recommended that the University of Regina regularly monitor compliance with research-related policies and agreements. (2013 Report – Volume 1 (p. 195); Public Accounts Committee agreement December 9, 2014)

Status – Implemented

Programs to promote awareness of policies can lessen compliance issues resulting from a lack of staff knowledge of policies. Starting in 2015, the University requires senior staff to annually sign-off that they have read and understood the University's research policies. The University expects to monitor compliance of institutes and centres through its revised reporting and review processes as described in **Section 3.3**.

In 2015, the University created a Compliance Officer position, responsible for monitoring compliance with research policies including checking that research ethical standards are reviewed and approved before funds are released to the researcher.

The Research Office also helps monitor compliance. It reviews and helps negotiate agreements, which supports compliance with policies (e.g., use of the correct cost recovery rate) and helps ensure required reports are submitted to third-party agencies. Also, it monitors intellectual property through use of the intellectual property disclosure form developed in 2015 and the continued evaluation of existing patents.



Standing Committee on Crown and Central Agencies

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Chapter 33
Standing Committee on Crown and Central Agencies

1.0 MAIN POINTS

Through its work and recommendations, the Standing Committee on Crown and Central Agencies (Committee) can help the Legislative Assembly (Assembly) hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations. The Committee does this by reviewing portions of our reports and the annual reports of agencies within its subject area. It reports to the Assembly the results of its review. These reports may contain recommendations resulting from our audit work.

During 2014-15, the Committee did not meet to consider any of our reports. At March 31, 2015, the Committee had not yet considered 30 chapters from eight of our reports. These chapters relate to eight different agencies and the Committee itself.

The Committee's last report to the Assembly that contained recommendations resulting from our audit work was in 2007. By March 31, 2013, the Government had implemented all of the recommendations contained in the 2007 report.

Also, at March 31, 2015, the Committee was behind in its review of annual reports of CIC and its subsidiary corporations; we note that it has not reviewed several years of these reports.

2.0 INTRODUCTION

This chapter provides an overview of the role and responsibilities of the Committee, focusing on those related to our Office's work. Also, it describes the overall status of the Committee's recommendations resulting from our Office's work, the status of its consideration of our work, and the status of the Committee's review of annual reports of CIC and its subsidiary corporations.

2.1 Role and Responsibilities of the Standing Committee on Crown and Central Agencies

The Standing Committee on Crown and Central Agencies (Committee) is one of the Legislative Assembly's four policy field committees. See **Figure 1** for a brief description of the responsibilities of a policy field committee.

Figure 1—Responsibilities of Policy Field Committees

> The Legislative Assembly makes policy field committees responsible for examining certain documents within their assigned subject area. These documents include bills and regulations (proposed laws), estimates, and annual reports. During their reviews, these committees can consider issues of current concern, future objectives, and past performance.
>
> Policy field committees can also conduct inquiries into matters within their mandated subject area. They provide the Assembly with reports on their activities and can make recommendations to the Assembly for its consideration.

The Standing Committee on House Services determines the membership of each policy field committee.

Policy field committee meetings are open to the public. The Assembly's website contains information about the composition of each committee and records of their meetings (i.e., meeting notices, Hansard verbatim, minutes, videos, and reports).

Source: www.legassembly.sk.ca/legislative-business/legislative-committees (6 March 2015).

The Committee's assigned subject area encompasses Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Central Services), central government agencies (e.g., Ministry of Finance), liquor, gaming, and all other revenue-related agencies and entities.

The Assembly has given the Committee the following responsibilities in addition to those typically given to a policy field committee:

- The Assembly, through *The Provincial Auditor Act* and under its Rules and Procedures, refers portions of our reports (chapters) related to CIC and its subsidiaries to the Committee.[1] When the Committee considers chapters from our reports, our Office and the corporation's appointed auditor, if any, attend to assist in its review.

- The Assembly requires the Minister responsible for CIC to notify the Committee, in writing, about significant transactions[2] of CIC and any of its subsidiaries within 90 days of the transaction. The notification must outline the objectives of the transaction, the financial implications, a statement of any changed liabilities, and the authority under which the transaction was made.[3]

Figure 2 sets out the membership of the Standing Committee on Crown and Central Agencies at March 31, 2015. From April 1, 2014 to March 31, 2015, the Committee met 10 times (2013-14: 14 times); the purpose of these meetings was to review estimates and bills related to agencies within its subject area. It did not receive any significant transaction reports (2013-14: one report). On May 16, 2014, it gave the Assembly one report on the results of its estimate and bill reviews within its subject area.[4]

Figure 2 -- Members of the Standing Committee on Crown and Central Agencies at March 31, 2015

Name of Member	
Fred Bradshaw, Chair	Rob Norris
Cathy Sproule, Deputy Chair	Kevin Phillips
Greg Brkich	Randy Weekes
Wayne Elhard	

Source: www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/ (17 March 2015).

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[1] Section 14.1(8) of *The Provincial Auditor Act* and rule 143(3) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan*.

[2] Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

[3] Rule 143(4) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan*.

[4] www.legassembly.sk.ca/legislative-business/legislative-committees/crown-and-central-agencies/cca-report-5-27-legislature (17 March 2015).

3.0 STATUS OF COMMITTEE WORK

3.1 Committee Work Related to our Audit Work

The Committee has asked our Office to assess and report on the status of the recommendations the Committee makes and reports to the Assembly as a result of our audit work.

The Committee's last report to the Assembly that contained recommendations resulting from its review of our reports was the *Tenth Report to the 25th Legislature* (3rd Session of the 25th Legislature) tabled on August 23, 2007. This report contained 34 recommendations. By March 31, 2013, the related agencies had implemented these recommendations.

The Committee did not consider any of our chapters related to CIC and its subsidiaries during 2014-15. As reflected in **Figure 3**, at March 31, 2015, the Committee had not yet considered 30 chapters from our eight different reports related to eight Crown corporations and the Committee. This figure does not include the six chapters included in this Report related to our work at CIC and its subsidiaries.

Figure 3—Chapters of Provincial Auditor Reports Referred to the Committee Outstanding at March 31, 2015

Agency	Related Provincial Auditor Report	Chapter	Number of New Recommendations to be Considered
Crown Investments Corporation of Saskatchewan	2013 Report – Volume 2	39	-
	2014 Report – Volume 1	12	1
Saskatchewan Gaming Corporation	2009 Report – Volume 1	10	-
	2010 Report – Volume 1	14	-
	2011 Report – Volume 1	13	1
	2012 Report – Volume 1	14	-
	2012 Report – Volume 1	15	-
Saskatchewan Government Insurance	2009 Report – Volume 1	11	-
	2010 Report – Volume 1	15	3
	2012 Report – Volume 1	16	-
Saskatchewan Opportunities Corporation	2012 Report – Volume 1	18	3
Saskatchewan Power Corporation	2014 Report – Volume 1	28	-
	2014 Report – Volume 1	29	-
Saskatchewan Telecommunications Holding Corporation	2009 Report – Volume 1	13	9
	2010 Report – Volume 1	17	1
	2011 Report – Volume 1	16	-
	2012 Report – Volume 1	20	-
	2013 Report – Volume 1	29	-
	2013 Report – Volume 2	48	-
	2014 Report – Volume 1	3	1
Saskatchewan Transportation Company	2009 Report – Volume 1	14	-

Agency	Related Provincial Auditor Report	Chapter	Number of New Recommendations to be Considered
Saskatchewan Water Corporation	2014 Report – Volume 1	4	-
	2014 Report – Volume 1	27	-
Standing Committee on Crown and Central Agencies	2009 Report – Volume 1	17	-
	2010 Report – Volume 1	20	-
	2011 Report – Volume 1	20	-
	2011 Report – Volume 2	26	-
	2012 Report – Volume 1	26	-
	2013 Report – Volume 1	31	-
	2014 Report – Volume 1	32	-

Source: Committees Branch, Legislative Assembly Service, Standing Committee on Crown and Central Agencies, *Outstanding Business– 27th Legislature.*

3.2 Committee Review of CIC Sector Annual Reports

The Committee is responsible for examining annual reports of CIC and its subsidiary corporations. Annual reports are key accountability documents that, in common with other government agencies, CIC and its subsidiary corporations prepare. Each of these corporations have a December 31 year-end. Their annual reports are typically tabled in the Assembly in April each year.

At March 31, 2015, the Committee had not yet completed its review of the 2012 and 2013 annual reports of CIC and its eight subsidiary corporations, and the 2010, 2011, 2012, and 2013 annual reports of CIC Asset Management Inc. (another CIC subsidiary corporation).[5]

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[5] Committees Branch, Legislative Assembly Service, Standing Committee on Crown and Central Agencies, *Outstanding Business– 27th Legislature.*

Appendix 1
Agencies Subject to Examination under *The Provincial Auditor Act* and Status of Audits

Our goal is to provide the Legislative Assembly with timely reports on the results of our examinations. We do not delay our reports to accommodate incomplete audits, but rather include their results in a future report. We aim to report the results of our annual integrated audits of agencies with December fiscal year-ends in the spring (i.e., Report – Volume 1) and agencies with March fiscal year-ends in the fall (i.e., Report – Volume 2). Also, we report the results of our follow-ups and performance audits in the report following their completion.

The table below lists the agencies subject to examination under *The Provincial Auditor Act* at December 31, 2014 along with their fiscal year-end. Agencies subject to our examination include ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, other agencies that administer public money, and offices of the Legislative Assembly.

For each of these agencies, the table sets out the status of our integrated audits at April 24, 2015, and indicates whether we are reporting or have reported matters for the Assembly's attention within the last 12 months, and if so, it identifies the relevant Report.

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	No
Ministries and Secretariats:			
Ministry of Advanced Education	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Agriculture	March 31	Complete	Yes/2014 Rpt V2
Ministry of Central Services	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of the Economy	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Education	March 31	Complete	Yes/2014 Rpt V2 & 2015 V1
Ministry of Environment	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Finance	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Government Relations	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Health	March 31	Complete	Yes/2014 Rpt V2 2015 Rpt V1
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2014 Rpt V2
Ministry of Justice	March 31	Complete	Yes/ 2014 Rpt V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2014 Rpt V2
Ministry of Parks, Culture and Sport	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Ministry of Social Services	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Executive Council	March 31	Complete	No
Public Service Commission	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Crown Agencies:			
101069101 Saskatchewan Ltd.	December 31	Note 1	
4115317 Manitoba Ltd. (formerly Swan Valley Gas Corporation)	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
BG Storage Inc.	December 31	Complete	No
Bruno Holdings Inc.	December 31	Note 1	
Carlton Trail College (formerly Carlton Trail Regional College)	June 30	Complete	No
Chinook School Division No. 211	August 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	No
CIC Asset Management Inc.	December 31	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des écoles fransaskoises School Division No. 310	August 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Creative Saskatchewan	March 31	Complete	Yes/2014 Rpt V2
Creighton School Division No. 111	August 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland College (formerly Cumberland Regional College)	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
eHealth Saskatchewan	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Englefeld Protestant Separate School Division No. 132	August 31	Complete	No
Enterprise Saskatchewan	March 31	Complete, Note 5	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Complete	Yes/2014 Rpt V2
Government House Foundation, The	March 31	Complete	No

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Complete	No
Health Quality Council	March 31	Complete	Yes/2014 Rpt V2
Heartland Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Health Shared Services Saskatchewan (3sHealth)	March 31	Complete	No
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	No
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	No
Horizon School Division No. 205	August 31	Complete	Yes/2015 Rpt V1
Ile-a-la Crosse School Division No. 112	August 31	Complete	Yes/2015 Rpt V1
Insurance Company of Prince Edward Island	December 31	Note 7	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	No
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2015 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Living Sky School Division No. 202	August 31	Complete	No
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	No
Lloydminster Public School Division No. 99	August 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	No
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2014 Rpt V2
North West College (formerly North West Regional College)	June 30	Complete	Yes/2014 Rpt V2
Northwest School Division No. 203	August 31	Complete	Yes/2014 Rpt V2
Northern Lights School Division No. 113	August 31	Complete	Yes/2015 Rpt V1
Northlands College	June 30	Complete	Yes/2014 Rpt V2
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland College (formerly Parkland Regional College)	June 30	Complete	No
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Prairie South School Division No. 210	August 31	Complete	Yes/2015 Rpt V1
Prairie Spirit School Division No. 206	August 31	Complete	Yes/2015 Rpt V1
Prairie Valley School Division No. 208	August 31	Complete	Yes/2014 Rpt V2
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	Yes/2014 Rpt V2
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2 & 2015 Rpt V1
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	No
Regina School Division No. 4	August 31	Complete	Yes/2015 Rpt V1
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations Inc.	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Delayed	
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Polytechnic (formerly Saskatchewan Institute of Applied Science and Technology)	June 30	Complete	No
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Power Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatchewan Research Council	March 31	Complete	Yes/2014 Rpt V2
Saskatchewan Rivers School Division No. 119	August 31	Complete	Yes/2014 Rpt V2
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	No
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	No

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Saskatchewan Water Corporation	December 31	Complete	Yes/2015 Rpt V1
Saskatoon Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Saskatoon School Division No. 13	August 31	Complete	Yes/2014 Rpt V2
SaskBuilds Corporation	March 31	Complete	Yes/2015 Rpt V1
SaskEnergy Incorporated	December 31	Complete	Yes/2015 Rpt V1
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Complete	Yes/2014 Rpt V2
Southeast College (formerly Southeast Regional College)	June 30	Complete	No
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2014 Rpt V2
Sun Country Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
Sun West School Division No. 207	August 31	Complete	Yes/2015 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2014 Rpt V2
TecMark International Commercialization Inc.	March 31	Note 1	
Tourism Saskatchewan	March 31	Complete	No
TransGas Limited	December 31	Complete	No
Water Appeal Board	March 31	Complete	No
Water Security Agency	March 31	Complete	Yes/2014 Rpt V2
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Special purpose and trust funds including pension and benefit plans:			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Financial and Consumer Affairs Authority of Saskatchewan	March 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Note 3	
Growth and Financial Security Fund	March 31	Note 3	

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Health Shared Services Saskatchewan Core Dental Plan	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – CUPE	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – SEIU	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – General	December 31	Delayed	
Health Shared Services Saskatchewan Disability Income Plan – SUN	December 31	Delayed	
Health Shared Services Saskatchewan Group Life Insurance Plan	December 31	Delayed	
Health Shared Services Saskatchewan In-scope Extended Health/Enhanced Dental Plan	December 31	Delayed	
Health Shared Services Saskatchewan Master Trust Combined Investment Fund	December 31	Note 2	
Health Shared Services Saskatchewan Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Delayed	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete, Note 4	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Liquor Board Superannuation Plan	December 31	Complete	No
Livestock Services Revolving Fund	March 31	Complete, Note 6	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2015 Rpt V1
Northern Municipal Trust Account	December 31	Complete	Yes/2015 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Pension Plan for the Non-Teaching Employees of the Saskatoon School Division No. 13	December 31	Delayed	
Power Corporation Superannuation Plan	December 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Plan	March 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of – Director's Trust Account	March 31	Complete	No

Agency	Fiscal Year-End [a]	Status at April 24, 2015 [b]	Matters Reported / Related Report(s) [c]
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Delayed	
Teachers' Dental Plan	June 30	Complete	Yes/2014 Rpt V2
Teachers' Disability Plan	June 30	Complete	No
Teachers' Group Life Plan	August 31	Complete	No
Teachers' Superannuation Plan	June 30	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Water Security Agency Retirement Allowance Plan	March 31	Complete	No
Offices of the Legislative Assembly:			
Advocate for Children and Youth, Office of the	March 31	Complete	No
Board of Internal Economy/Legislative Assembly Service	March 31	Complete	No
Chief Electoral Officer, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No

Agency	Fiscal Year-End a	Status at April 24, 2015 b	Matters Reported / Related Report(s) c
Other agencies:			
Pension Plan for the Eligible Employees at the University of Saskatchewan	December 31	Delayed	
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Delayed	
Technical Safety Authority of Saskatchewan, The	June 30	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	Yes/2015 Rpt V1
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Long-Term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.

Note 2: Health Share Services Saskatchewan no longer prepares financial statements for the Master Trust Combined Investment Fund.

Note 3: The Ministry of Finance does not prepare financial statements for this Fund.

Note 4: This entity was wound up on March 27, 2014.

Note 5: This entity was wound up on April 30, 2014.

Note 6: This entity had no active operations.

Note 7: The Government sold its investment in this company effective June 30, 2014.

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a.

Fiscal Year-End	Year of last completed integrated audit
March 31	2014
April 30	2014
May 31	2014
June 30	2014
July 31	2014
August 31	2014
September 30	2014
December 31	2014

b. "Complete" – the audit was complete at April 24, 2015.
"Delayed" – the audit was delayed.

c. "No" – no significant issues were reported.
"Yes/2014 Rpt V2" – significant issues are reported in our *2014 Report – Volume 2*.
"Yes/2015 Rpt V1" – significant issues are reported in our *2015 Report – Volume 1*.

Appendix 2

Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states, "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on:

- The effectiveness of the Government's management of public resources
- The Government's compliance with legislative authorities
- The reliability of the Government's public performance reports (e.g., financial statements)

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We adhere to assurance standards published by CPA Canada (formerly Canadian Institute of Chartered Accountants) when forming our opinions. The following are samples of our audit opinions.

1. The Effectiveness of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives:

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations, and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework published by CPA Canada to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The control framework defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to the effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks, and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities, and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the control framework.

2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing, and investing activities during the year ended [Year end]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook – Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [statement of financial position] as at [Year end], and the [statements of operations, change in net debt, and cash flow] for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].